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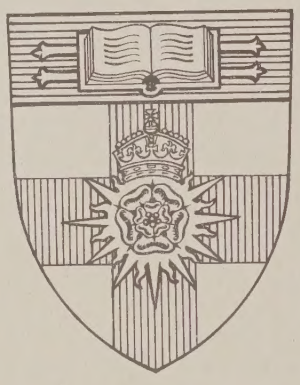

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REPORTS

FROM

COMMISSIONERS, INSPECTORS,

AND OTHERS:

FIFTY-ONE VOLUMES.

—(*48.*)—

WAR RISKS OF SHIPPING; WHISKEY (ROYAL COMMISSION).

Session

29 *January* 1908 —— 21 *December* 1908.

VOL. LVIII.

1908.

REPORTS

FROM

COMMISSIONERS, INSPECTORS,

AND OTHERS:

1908.

FIFTY-ONE VOLUMES:—CONTENTS OF THE

FORTY-EIGHTH VOLUME.

N.B.—*THE* Figures *at the* beginning of the line, *correspond with the* N° *at the foot of each* Report; *and the* Figures *at the* end of the line, *refer to the* Paging *of the Volumes arranged for The House of Commons.*

NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING:

[Cd. 4161.] Report by the Committee on a National Guarantee for the War Risks of Shipping to the Lords Commissioners of His Majesty's Treasury. p. 1

[Cd. 4162.] Appendix to the Report of the Committee: Vol. II. Minutes of Evidence and Appendices. 53

WHISKEY AND OTHER POTABLE SPIRITS (ROYAL COMMISSION):

[Cd. 4180.] Interim Report of the Royal Commission on Whiskey and other Potable Spirits. 415

[Cd. 4181.] Minutes of Evidence taken by the Royal Commission on Whiskey and other Potable Spirits; with Appendices. Volume I. 421

REPORT

BY THE

COMMITTEE

ON A

NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING

TO THE

LORDS COMMISSIONERS OF HIS MAJESTY'S TREASURY.

Presented to both Houses of Parliament by Command of His Majesty.

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NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING.

REPORT.

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414. 3,000.—Wt. T.L. 204. 7/08.—Wy. & S.

MEMBERS OF THE COMMITTEE.

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The Right Hon. Sir R. B. Finlay, K.C., G.C.M.G.

Sir Thomas Glen-Coats, Bart., M.P.

Sir J. L. Mackay, G.C.M.G.

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Captain Sir Charles L. Ottley, R.N., K.C.M.G., M.V.O.

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Mr. Henry Neville Gladstone.

Mr. Frederick Huth Jackson.

Mr. Arthur Lindley.

Mr. George H. Duckworth (*Secretary*).

REPORT BY THE TREASURY COMMITTEE ON A NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING TO THE LORDS COMMISSIONERS OF HIS MAJESTY'S TREASURY.

MAY IT PLEASE YOUR LORDSHIPS,—

We are now in a position to present our Report on the matters submitted to us for enquiry.

1. The Reference to us was in the following terms:—

To consider and report—

(A) Whether it is desirable that the State should undertake to make good to shipowners and traders losses incurred through the capture of shipping by the enemy in time of war.

(B) If so, whether such indemnity should be granted gratuitously or should be coupled with the payment of premiums calculated to recoup the State—either wholly or in part—for the cost to be incurred.

(C) What conditions should be attached to the grant of the indemnity, and what arrangements should be made for the proper working of the scheme.

2. At our first meeting we considered these instructions with care, and remembering that the appointment of a Committee was in the first instance suggested by the Royal Commission on the Supply of Food and Raw Material in time of War, we decided to acquaint ourselves with the evidence heard before that Commission in so far as it was pertinent to our enquiry.

3. The special recommendation of the Royal Commission referred to above was contained in paragraphs 266-269 of the Commission's Report, where, after expressing the opinion that "a system of National Indemnity against loss from capture by the enemy would operate both as an additional security to the maintenance of our oversea trade and as an important steadying influence upon prices," the Commissioners placed on record their belief that "the advantages to be gained from some well-considered scheme of the kind seem to us very largely to outweigh any objections which have been stated to us." The Commissioners added that, while they did not consider themselves competent to draw out the precise terms of such a scheme, they were "of opinion that a small expert Committee should be appointed to investigate the subject and frame a scheme after consultation with underwriters and others interested in our mercantile marine." Royal Commission on Food Supplies. Report, par. 268

4. With the Evidence and Report of the Royal Commission before us, we felt that our investigations should start from the point at which the inquiries of the Commission ended, but that whilst the principal subject of the Commission's deliberations had been the maintenance of the supply of food and raw materials, our inquiries must embrace an allied but rather different aspect of the question, viz., the maintenance of the activities of the mercantile marine in time of war. In order still further to break new ground, whilst at the same time concentrating attention on the practical difficulties which would have to be faced in any scheme of the kind contemplated in our reference, we drew up skeleton schemes of National Indemnity and National Insurance to form a basis for the cross-examination of witnesses. Our special thanks are due to two of our members, Sir George Murray and Sir George Clarke, for the assistance which they afforded in suggesting the main lines on which these schemes were framed.

5. For the sake of convenience these draft schemes were named "A" and "B," draft "A" being a scheme of Gratuitous Indemnity, and draft "B" one of National Insurance (or, as it sometimes called, Purchased Indemnity) with premiums calculated to recoup the State in part at least for the cost to be incurred. They are frequently referred to as "A" or "B" without further explanation in the course of the evidence.

6. Our meetings before Christmas, 1906, were chiefly confined to the consideration and emendation of these drafts. Copies of each were printed after revision, and sent to intending witnesses in anticipation of their evidence, with a request that they would give their careful attention to the various conditions suggested in them, and a warning that these schemes were not to be considered as in any way prejudging the ultimate conclusions of the Committee.

7. We found that this plan of procedure was successful in stimulating criticism and was useful as a means of eliciting opinions without committing the Committee to any definite pronouncement in favour of either one or the other. These schemes will be found printed in full in the Appendix.

8. A third scheme, lettered C, was subsequently prepared by Captain Sir Charles Ottley, R.N., a member of the Committee, and is included in the Appendix, together with an explanatory Memorandum handed in by him.

9. With the special object of obtaining expert opinion, invitations were sent to members of Lloyd's and to representative bodies such as the Chamber of Shipping of the United Kingdom, the Liverpool Steamship Owners' Association, the Association of Chambers of Commerce of the United Kingdom, the United Kingdom Mutual Steamship Assurance Association, the North of England Protecting and Indemnity Association, the General Council of the Bar, the Law Society, and selected shipping and mercantile firms, asking them to submit evidence on the subjects referred to us for consideration.

10. A notice was also circulated through the Press inviting associations or individuals who had not been addressed directly to suggest witnesses and submit memoranda.

11. The answer of the legal bodies mentioned was to the effect that the questions referred to us lay beyond their province; while the Association of Chambers of Commerce replied that it was unable to take action in the absence of a special resolution from one of the Chambers composing the Association. We understand that since the close of our evidence a resolution has been passed by this Association at its recent autumnal meeting at Liverpool declaring "that it may be desirable for the nation to assume, by means of some suitable scheme, responsibility for losses at sea in time of war. . . ," but that pending our Report no further steps are to be taken to discuss the question. We gather that, at the meeting at which this resolution was passed, there was evidence of the existence of a strong body of opinion that, in the event of the adoption of a scheme, the direct benefit of a State Guarantee should not be confined to shipping interests only.

12. From the names submitted through these and other sources we selected representative witnesses who were able to speak with expert knowledge of the questions raised by the terms of our reference.

13. In all we have examined 29 witnesses, of whom eight were underwriters, viz. :—

Mr. Alfred Roberts.
Mr. R. B. Lemon.
Mr. Raymond Beck.
Mr. Sidney Boulton.
Mr. J. T. Binning.
Mr. Charles Wright.
Mr. Douglas Owen.
Mr. William Gow

Three were or had been in responsible positions under the Admiralty, viz. :—

Captain Harry Jones, R.N.
Admiral of the Fleet Sir Arthur Wilson, V.C., G.C.B., G.C.V.O.
Admiral Sir Cyprian Bridge, G.C.B.

Seven were Shipowners or Shipowners Representatives, viz. :—

Mr. F. Leverton Harris, M.P.
Sir Theodore Angier.
Mr. F. Bolton.
Mr. Charles Brightman.
Mr. Norman Hill.
Mr. J. P. Maclay.
Sir Thomas Sutherland, G.C.M.G.

Four were Bankers or Bill Brokers, viz. :—

Mr. Christopher Nugent.
Mr. Thomas Estall.
Mr. Toomey.
Mr. R. W. Jeans.

One was an Average Adjuster, viz. :—

Mr. Charles McArthur, M.P.

Two were representatives of Mutual Indemnity Associations, viz. :—

Mr. H. R. Miller.
Mr. J. Stanley Mitcalfe.

In addition we invited evidence from :—

The Right Hon. The Lord Balfour of Burleigh, K.T., Chairman of the Royal Commission on Food Supplies.
Mr. T. Gibson Bowles.
Sir Robert Giffen, K.C.B., F.R.S.
Mr. J. St. Loe Strachey.

14. Of the above Mr. Leverton Harris and Mr. Bolton are underwriters and brokers as well as shipowners, and Mr. Mitcalfe appeared also as a representative of the United Kingdom Chamber of Shipping.

15. A transcript of the evidence of Admiral of the Fleet Sir A. Wilson is forwarded herewith for the information of your Lordships, but, in deference to the opinion expressed by the Board of Admiralty that it is undesirable in the public interest to make it public, we refrain from printing it with the rest of the evidence.

16. The evidence of these witnesses when taken in conjunction with that tendered to the Royal Commission on Food Supplies,* forms a representative and weighty body of opinion. The diversity of views prevailing both as to the desirability and results of State action is remarkable, and bears testimony to the complexity of the subject which has been referred to us. It extends to almost every point of our enquiry, and, bearing in mind the special competence of the witnesses in the subjects on which they were examined, must be held to show how speculative are even the best considered opinions

* See the evidence of the following amongst others as recorded in the Report, Cd. No. 2644 (1905) :— Mr. Beauchamp, M.P., Underwriter; the Rt. Hon. Charles Booth, Shipowner; Admiral Sir Cyprian Bridge; Mr. C. H. Faber, Underwriter at Lloyd's; Sir John Glover, Shipowner; Mr. William Gow, Secretary, Union Marine Insurance Co., Liverpool; Mr. Leverton Harris, M.P., Shipowner and Insurance Broker; Mr. H. Haslam, Underwriter; Admiral Sir John Hopkins : the late Sir Henry Hozier, Secretary of Lloyd's; Captain E. F. Inglefield, R.N.; Sir Alfred Jones, Shipowner; Mr. R. T. Jones, Company Underwriter; Sir James Mackay, Director, British India Company; Mr. F. W. Marten, Underwriter at Lloyd's; Mr. J. Stanley Mitcalfe, North of England Indemnity Association; Mr. Douglas Owen, Secretary, Alliance Marine Assurance Co.; Mr. E. Pembroke, Shipowner; Mr. W. Runciman, M.P., Tramp Steamer Owner; Mr. H. Llewellyn Smith, C.B., Board of Trade; Mr. H. Sumner, Liverpool Underwriters' Association; Mr. H. Wilding, Shipowner.

as to the probable course of events in a great naval struggle. Nevertheless, we venture to hope that our labours have not been in vain, and that the difficulties and dangers as well as the advantages likely to follow from State action, together with our own conclusions on a review of the whole of the evidence, will be found to be clearly stated and sufficiently discussed in the paragraphs which follow.

17. We greatly regret that we have not had the advantage of discussing the terms of our Report with Sir George Clarke. He took an active interest in our proceedings, examined most of the witnesses, and heard the whole of the evidence, but his appointment as Governor of Bombay necessitated his departure from England before the Report was drafted. He left with us a Memorandum of his views, which is printed at the close of our Report, and to which we wish to draw special attention, though we are unable, for reasons which will be stated later, to recommend the adoption of his proposals.

18. For the purposes of our enquiry, we have assumed throughout: —

(a) That the British fleet would be strong enough to secure and thereafter to maintain command of the sea.

(b) That the laws of maritime warfare, including the laws regulating capture, contraband of war, the right of search, &c., would remain unchanged. Some of the witnesses evidently held strong views as to the necessity for a revision (whether in the direction of a reversal or an extension) of the principles of the Declaration of Paris. But this subject was outside the scope of our reference, and we do not feel justified in offering any opinion upon it.

II.

Considerations affecting the Desirability or otherwise of some form of National Guarantee.

Definition of Terms.

19. The words insurance and indemnity, with the qualifications "National" or "State" prefixed to them, were used interchangeably before us as they had been before the Royal Commission on Food Supplies. Some confusion followed on this practice, and we agree with Lord Balfour that it is better that a distinct meaning should be attached to each. Accordingly we have used the word "Insurance" to denote a guarantee by the State of the shipowner's or merchant's losses in return for payment by the shipowner or merchant of a premium calculated to protect the State wholly or partially against loss. Under the name of "Indemnity" we refer to a similar guarantee by the State given without exacting any contribution from the guaranteed. And we include all schemes under which the State would assume liability for war losses, whether free from all cost to the owners or in return for a contribution from them, under the common title of National or State Guarantee.

20. In practice there is no rigid distinction between insurance and indemnity, and they merge by almost insensible gradations into one another. Thus in cases where the premium charged is one that is not calculated to recoup the full cost to the Government, "insurance" becomes in part "indemnity," whilst on the other hand it is quite compatible with the general principles of a free indemnity that a small registration fee should be charged on the admission of any ship to its advantages.

The Object of a National Guarantee.

Balfour, q. 15.

21. As we have said, the question of insurance or indemnity came before the Royal Commission on Food Supplies in Time of War, primarily as a means of securing our oversea food supplies and avoiding excessive fluctuations in prices. But the maintenance of the activity of the mercantile marine was recognised as an ulterior

object, and in paragraph 229 of their Report the Commissioners stated that the object of a national guarantee would be "to minimise, so far as possible, or even to eliminate altogether, the amount by which war insurance would increase the cost of commodities, and to prevent British shipowners being compelled, owing to the disadvantageous position in which they might find themselves with reference to neutral competitors, either to lay up their ships or transfer them to a neutral flag."

22. These views were emphasised and developed by some of the witnesses who appeared before us. Thus Lord Balfour, Chairman of the Royal Commission, suggested that some scheme was desirable in order to overcome difficulties caused by the changed condition of naval warfare, since protection by convoy would probably be no longer practicable. Balfour, q. 7.

23. Mr. Leverton Harris expressed a fear lest the increased price of war insurance should interfere with the import of raw materials and the export of manufactured goods, and drew attention to the great social danger which would arise in the event of our supply of raw materials "either being cut off or raised to such a price that we as an industrial nation, would be unable to compete with rival manufacturers in other countries." Employment, he argued, was more important than food supply, "a man who is in employment can afford to pay a rise in the price of food—such a rise as was anticipated in the Report of the Food Supply Commissioners. . . But if you had several million working men and women in this country employed in the iron trade, employed in the cotton trade, and so on, thrown out of employment, then you would have a much graver national danger than the danger that would occur in consequence of an increase in the price of food." Harris, q. 498. Harris, q. 504.

24. Captain Jones urged that the greatest advantage of a guarantee would be to relieve the Admiralty from undue pressure from private interests, and to leave them free to pursue their strategic plans unhampered by a public demand for special protection for commerce whilst at the same time giving them a right to control the movements of the mercantile marine. Jones, q. 276. Jones, q. 281.

25. Mr. Nugent favoured the idea on the ground that it would facilitate the operations of bankers and discount houses, and would thus give confidence to shipowners and cargo-owners that their bills would be discounted. Nugent, q. 3563.

26. Mr. Boulton held that the effect of a State guarantee would be to steady prices, encourage shipping, and prevent panics. Boulton, q. 1543, 1591.

27. Mr. Norman Hill, of the Liverpool Steamship Owners' Association, declared that in the opinion of his Association, which represents nearly half the British liner tonnage, a scheme of indemnity was absolutely necessary if the oversea trade was to be carried on effectively in time of war. Hill, q. 3615. Hill, q. 3619–20.

28. Sir Cyprian Bridge thought that "previous to the actual commencement of the war naval defence of commerce cannot operate, at any rate directly. 'Shadowing' the future enemy's men-of-war before hostilities begin will do something, but probably not enough to keep down the rate of insurance. As soon as war has broken out, direct naval defence becomes permissible, but it is likely to operate with imperfect effect until the enemy has been obliged to show his hand. . . . . I can see that, in the period of uncertainty when the onslaughts and the acts of repelling them are only likely, some administrative measure may be indispensable. The object will be to encourage our merchant ships to continue running, and especially to get the food and raw material which we cannot do without, safe into our ports. Adoption of the arrangement known as the national guarantee may be the right measure. It is, as regards the period of uncertainty, a matter on which, in my belief, the opinion of a naval officer, as such, is of little importance." Bridge, q. 4795

29. The opinions just cited give what in the minds of many of the witnesses was not only the object, but would, in fact, be the effect of some form of National Guarantee for the war risks of shipping. The immediate objects of a guarantee, as stated by the advocates of a State scheme may therefore be summarised as follows:

(*a*) The maintenance of public confidence during war, and especially during the periods of uncertainty immediately preceding and succeeding the declaration of war.

(*b*) The encouragement to shipowners and cargo owners to continue their business during such periods.

(*c*) The liberation of the Admiralty from the pressure of an uninstructed public opinion adversely criticising their strategic dispositions on the ground of commercial losses and possibly affecting detrimentally the conduct of the war.

(*d*) The removal of any temptation to lay up British ships or to transfer British trade and shipping to a neutral flag.

(*e*) The elimination of the amount by which war insurance would at such a time increase the cost of commodities.

(*f*) The maintenance of the supremacy of the British Mercantile Marine in time of war.

(*g*) The maintenance of our oversea supplies of food and raw material without an excessive rise in price.

30. How far danger on these points really exists, and to what extent a National Guarantee may reasonably be expected to remove or diminish it in the face of the disturbed conditions obtaining in a time of war form the subject of discussion in the paragraphs which follow.

31. It will, however, be convenient to note here that the maintenance of our export trade is as important both to the industrial life of the community and to the profitable employment of the mercantile marine as is that of our import trade. Any arguments, therefore, which may be adduced in favour of a National Guarantee for the latter apply equally to the former. The two branches of trade cannot be separated for the purposes of our enquiry, and our conclusions must be held to refer to both.

Shipping in War Time.

Sutherland, q. 4259
Sutherland, p. 4260

32. Sir Thomas Sutherland said that the first effect of war would be to cause ships to be laid up. He further emphasised his point by adding that, if the danger of capture, imprisonment and loss of life were very serious neither shipowners nor seamen would care to tempt their fate even if there was a chance of recovering insurance.

Harris, q. 612–14
Mitcalfe, q. 4358
McArthur, q. 4567
Sutherland, q. 4271
Giffen, q. 2981
Binning, q. 1925

33. Others enforced this view and pointed out how great the difficulties had been with crews in the Japanese war. But it was recognised that the "laying up" would be for a time only, and that the rise in freights caused by any considerable withdrawal would work its own cure. And Sir Thomas Sutherland himself allowed that after the first "panic" was over, "if we had a chance of doing business there is no doubt business would be done." It was admitted that some portion of trade must in any case cease at the outbreak of war owing to the prohibition of commerce with the enemy. But the gravity of this stoppage was not to be over-estimated since ships can change their routes at short notice, and we were assured that trade would find other outlets with little difficulty.

Gow, q. 2441
Giffen, q. 3025
Binning, q. 1765
Bolton, q. 2968
Roberts, q. 1008.
Bridge, q. 4817, 4821–2
Bridge, q. 4815

34. The special demand of the State at such a time upon the mercantile marine was also impressed on us. Though war may mean a stoppage of business in various directions it also means a large demand on account of the Government. It was even represented that "as a rule war times are very good times for shipowners," and that "there is a great deal of money to be made in them." Shipowners would probably be able to demand higher freights. Enormous supplies are required, and larger provision has to be made to allow for captures, while the Navy itself would require a very large auxiliary tonnage for coal, &c.

35. In the Russo-Japanese war the Japanese Government employed the whole of their mercantile marine. And when war was fairly started it might happen that no

"shipowners would be having their ships laid up; they would all be working as hard as they could," though it would no doubt be true that at the outset the slower ships would be laid up to a greater extent than the fast. Roberts, q. 1004 Sutherland, q. 4274

Transfers to a Neutral Flag.

36. The object of the transfer, if it took place, of British shipping to a neutral flag would be the avoidance of liability to capture and of the extra charges incident on sailing under a belligerent flag. These charges were defined to us as the increased payments that would be necessary in respect of premiums for war insurance and wages for seamen, as well as the extra expenses to which shipowners belonging to a belligerent nation would be liable owing to detention or deviation from their ordinary course by the advice or at the orders of the Admiralty. Binning, q. 1767 Mitcalfe, qs. 4453–4

37. As Mr. Bowles and others pointed out the question of the transfer of British shipping arose the moment the Declaration of Paris was signed in 1856. Under the Declaration the neutral flag is held to cover all goods that are not contraband, and its general effect is fairly described by the phrase "Free ships, free goods." Previous to 1856 the neutral was very little safer, if at all, than the belligerent, and was equally harried, seized and searched. But as soon as it was agreed that the neutral flag should cover the cargo the question of the possible general transfer of ships became important. In Mr. Gow's opinion the advantage which this agreement gave to the neutral is such that there is now both greater possibility of transfer and greater risk of it than in any war of which we have had experience in the past. But it must be remembered that, owing to the uncertainty as to what constitutes contraband, the position of the neutral is not so secure as might appear at first sight, and also that any advantage inherent in neutrality may react to the benefit of the British manufacturer or consumer, for whom it might be 'the cheapest thing' that transfers to neutrals should take place, since they might thereby be assured of a more regular supply of necessary raw materials and food stuffs. The position of the neutral as affected by the very wide definition of contraband prevailing during the war between Russia and Japan is referred to again in greater detail in paragraph 76. Bowles, q. 72 Owen, q. 2119 Gow, q. 2425 Bowles, q. 72 Gow, q. 2427 Harris, q. 604

38. Some witnesses founded their fear of transfers on the experience of the American nation during the civil war when their large share in the carrying trade of the world passed into other hands. No doubt the activity of the Confederate cruisers greatly contributed to the destruction of the American mercantile marine, but the influence of the contemporaneous change from wooden to iron ships and the inability of the American shipyards to keep pace with the new form of construction were a more permanent, if a less immediately important factor in producing this result. Maclay, q. 4048 Balfour, q. 8

39. Transfers to certain countries in time of peace are easily accomplished. An actual case was cited to us where a clerk had been sent over to Belgium to register a limited liability company in that country for the purpose of effecting a legal transfer. A brass plate was put up on the door of an office, the limited company purchased all the shares in the steamer whose transfer was desired, and the ship was automatically removed from the British register and became a Belgian ship. The ease with which transfers to Sweden, Spain, Norway and Denmark can be effected was also referred to, though it was said that recent rules in Norway imposing restrictions as to load line, and a tax on transfers in Denmark had made the acquisition of the right to hoist these flags more difficult than it used to be some years ago. Harris, q. 507 Miller, q. 3431, 3454 Bowles, q. 154 Mitcalfe, q. 4397

40. In war the temptation to transfer would be greater or less according as the enemy was more or less powerful at sea and more or less favourably situated for naval operations against us. Thus, as was pointed out by Mr. Bowles, if we were at war with Austria, Turkey, Greece or Venezuela there would be little temptation to British owners owing to danger from the enemy. But the temptation might be considerable if we were at war with France or with Germany or the United States. Bowles, q. 74

41. Apart from the varying intensity of the desire to transfer, the practical difficulties in the way of effecting a legal transfer on a large scale are considerable.

Two obstacles are especially prominent, (1) the internal legislation of some at least of the countries which are in other respects best fitted to make the purchase, and (2) the probability that no strong belligerent would acknowledge a transfer obviously intended to deprive it of the power of exercising its belligerent rights unless the nation accepting the transfer was both willing and able to defend its action. Sir Thomas Sutherland was of opinion that the difficulties of transfer after the declaration of war were almost insurmountable, though he admitted that if a powerful neutral, such as the United States of America, were the accepting nation, it would be doubtful whether any belligerent would care to challenge its action. In this case, however, he thought that another difficulty would arise, since the necessary engineering and shipbuilding establishments for executing repairs do not at present exist in that country on a sufficient scale, and their absence would, in his opinion, prevent the acceptance of transferred ships, even if the municipal law and command of capital allowed it.

Bridge, q. 4814

Sutherland, q. 4259

Sutherland, q. 4260.

42. Sir Robert Giffen and others pointed out that as the legislation of the United States of America at present stands it is impossible for any British ship to be transferred to the American flag, but he differed from them in thinking that there need be no apprehension of transfer to any great Power which would afterwards compete with us in our oversea trade.

Giffen, q. 3053

Hill, q. 3786

Gow, q. 2651

Giffen, q. 3078

43. Mr. Bowles, in opposition to the opinion expressed by Professor Holland before the Royal Commission on Food Supplies, thought that legal difficulties did not really exist, and could "see nothing in practice or in principle or in previous history that would justify or encourage a belligerent to refuse to recognise a transfer lawfully made." But at best the conditions of transfer are stringent, as was shown in the case of the "Baltica," which Mr. Bowles quoted to justify his contention. The legality of the transfer in this case was only admitted on complete proof being afforded of the neutral status of the purchaser, and the absolute and *bonâ fide* character of the sale.

Balfour, q. 8

Bowles, q. 75

Bowles, q. 163

Giffen, q. 3053

44. Again, transfers to be a serious question would have to be on an enormous scale, and doubt was expressed whether in time of war neutrals could find sufficient capital for such a purpose.

Sutherland, q. 4259

Estall, q. 3845

Jones, q. 289

45. As against this some witnesses were of opinion that the apparent difficulties in the way of transfer lay rather in the state of municipal law which might be altered to suit the case, than in the magnitude of the commercial operation. They thought it would be to the interest of the neutral to facilitate transfers to its flag, and that an enemy might be satisfied with loss inflicted on us by the transfer of our shipping without trying to follow up that shipping after it had been transferred.

Gow, q. 2423

Gow, q. 2416

Jones, q 302

Gow, q. 2419

46. So too Mr. Norman Hill with special reference to the legal difficulties prevailing in the case of America, thought that the United States could justify a special relaxation of its rules on the ground that American exporters and cargo owners needed protection from the heavy charges that would be levied on them if they continued to ship goods under the British flag at a time when Britain was a belligerent.

Hill, q. 3788

47. And finally Mr. Bowles pointed out that as far as the question of available capital was concerned, the transaction "would finance itself on the supposition that is made . . . . . a great trade to be done, the ships which ordinarily do it . . . . laid up through being unable to sail under the belligerent flag, and . . . . to be had cheap."

Bowles, q. 75

48. (*a*) On a review of the foregoing evidence, and on full consideration of the probabilities of the case, we think it unlikely that the laying up of ships would take place on any large scale or last for any appreciable time. Some ships might be detained in port for a short time whilst their owners watched the development of events and decided upon the best course to pursue. Some would undoubtedly have to be diverted from the trade in which they had hitherto been engaged to other routes. But British shipping is too important a factor in the world's carrying trade to admit of any large portion of it for long remaining idle. The rise in freights, the prospect of increased profits, the large demands of the

British War Office and Admiralty in the case of any serious war (with which alone we need concern ourselves) would rapidly compensate for the increased risk and tempt suitable ships to sea again. We do not therefore regard this as a serious danger.

(*b*) The question of the transfer of shipping to a neutral flag is more difficult and complicated. From the summary of the evidence which we have given above it will be seen how various and conflicting are the views even of expert witnesses as to the probabilities and even the possibilities of the case. There can be no question that it would be matter for the gravest regret if transfers were to take place on any considerable scale just before or during the progress of a war in which this country was involved. Such transfers once made would be likely to be permanent, and there is some force in the opinion expressed by Mr. Norman Hill that they would carry with them more than the loss of the actual ships because of the tendency for the home port to be determined by the flag. Hill, q. 3794

(*c*) Upon a review of all the evidence it appears that trade in time of war, and especially during the great uncertainty which would prevail in the first few weeks of war, would have a tendency to seek neutral bottoms in the hope of avoiding the risks and expense to which belligerent vessels would be exposed in addition to those that would fall upon neutrals.

(*d*) But we have not been convinced that the probability of transfers of shipping on a large scale is so serious as of itself to demand special preventive measures. The advantage of neutrals over belligerents in the matter of charges for war insurance or freedom from interference is, under the Declaration of Paris, a good deal diminished by the great uncertainty which prevails as to what will and what will not be contraband of war, and by the very wide definitions of contraband adopted by belligerents from time to time. The municipal law of those countries which would otherwise be the most likely purchasers is, generally speaking, framed in such a way as to place great difficulties in the way of transfers.

(*e*) At the same time it must be admitted as probable that neutrals will take advantage of a time of stress to acquire a larger share of the world's shipping. We do not think it likely that in any case the transfers will bear a large proportion to the total of the British mercantile marine; but in so far as they may be effected, they constitute an injury to our trade which it will be difficult, perhaps impossible, to recover after the restoration of peace.

49. The danger of any material interruption to our supplies of food and raw material is mitigated by the fact that such supplies would be shipped, in part at any rate, in neutral bottoms if British ships found the traffic too dangerous, and any belligerent with whom this country might be engaged in war might well hesitate to incur the hostility of a great Power, such as, say, the United States of America, whose vessels were so engaged, by treating such articles as contraband of war.

War Insurance.

50. The extent of the market for war risks and the effect of insurance premiums and other factors influencing prices to the detriment of British trade in war time have now to be considered. The evidence submitted to us was strangely divergent. There were great differences of opinion even among those whose interests were similar. In effect it appears that only experience can decide what will be the extent of the market, the rates of insurance that will prevail, and the result that they will have upon the prices charged to consumers. But the evidence heard on these subjects is interesting, and at least throws some light upon the conditions prevailing.

The Market for War Insurance.

51. In some trades, such as the nitrate trade with South America, the practice is for shipowners to insure against war risks even in time of peace, and a war premium of

Beck, q. 1331–2
Beck, q. 1202

1s. 3d. per cent. is charged in addition to the ordinary premium for marine risks. The market for war insurance in peace time was stated to be unlimited. But with the prospect of war there is hesitation. We were told that in the beginning of war the insurance market would not be sufficiently large to "absorb one-fiftieth part of the business to be done," but that presently it would gain confidence. And the evidence given before a Committee of the House of Commons in 1821 was quoted, to the effect that in the Great War at the beginning of the last century the insurance market of those days was greatly restricted at the outset, but that by the end of the war "underwriters at Lloyd's were taking lines running up to £10,000 a name, and the profit that was made was very large."

Harris, q. 636

52. In Mr. Beck's opinion, "in the event of the outbreak of war, the present market for insurance of vessels and cargoes against war risks would shrink up." He said that prior to war there would be a very large market, but that after the outbreak of war, and in the probable event of captures, which he thought would take place immediately, the market "would almost entirely shrink up, and the few underwriters or companies engaged in the business would put the rates up to an absolutely prohibitive size for the carrying on of commerce." While Mr. Gow thought that the market would be restricted for about ten days before the outbreak of war, but that after the commencement of hostilities, "people would begin to think of business again."

Beck, q. 1201

Gow, q. 2559

Bolton, qs. 2765 2769
Roberts, q. 855
Roberts, q. 859
Roberts, q. 860
Roberts, q. 859
Roberts, qs. 898–900

53. Mr. Bolton, who spoke both as a shipowner and underwriter, feared for the sufficiency of the market to meet the losses which it would be called upon to pay, and was of opinion that it had not expanded in proportion to the increase of shipping since the great French war. But Mr. Roberts, who is also an underwriter, took the contrary view. He was not afraid of panics, and thought that the size of the market would always be sufficient to prevent anything like a successful combination to charge prohibitive rates. He pointed out that whereas in recent wars the war risks have been concentrated in one particular spot, and have of necessity been high, "when you get the British Empire at war, the thing is so enormous that it would appeal to every underwriter." He added that the amount of insurance would be large, and underwriters would therefore receive a large amount of premium out of which to meet their liabilities on losses, and he only anticipated demoralisation in the event of a blockade of these islands so effective as to make captures a practical certainty. He admitted that in war time there might be some difficulty in placing large single risks, but he thought there would always be a free market up to £200,000.

Lemon, q. 1179
Wright, q. 1975
Wright, q. 2038
Gow, q. 2604

54. Other witnesses thought that the market would only become limited in the event of serious captures taking place at the commencement of hostilities, and held that, so long as the fleet was undefeated, there would be no real difficulty in covering the whole of the British mercantile marine against war risks. Increased premiums would even tend to enlarge the market provided they appeared to be adequate.

Estall, q. 3993–4
McArthur, q. 4573
Jeans, q. 4150
Nugent, q. 3587

55. Mr. Estall, speaking as a banker, expressed his belief that the insurance market was large enough to meet even abnormal losses, and said that bankers would have no fear that policies would not be honoured. Mr. McArthur spoke in the same sense, and added that the large reserves of the principal marine insurance companies precluded any probability that they would not be able to fulfil their obligations in war time. Mr. Jeans, however, was not so confident, and said that a banker was apt to become anxious about his insurances whenever war appeared imminent; and Mr. Nugent, speaking for the discount market, said that bills and securities would be examined more carefully, as they were during the Fashoda incident, and recently in the Russo-Japanese War.

56. In view of the speculative character of the question, of the absence in recent times of any practical experience of naval war between two great naval Powers, and of the conflicting opinions of men equally interested in arriving at a right judgment on the subject and equally competent to do so, we have great hesitation in offering an opinion of our own; but we are inclined to believe that though the market for war risks might be seriously restricted just before and after the outbreak of a great naval struggle, and though rates might be subject to violent fluctuations at such a time, yet that if our Navy did not sustain any serious reverse the market would expand

and become steadier as the situation developed, and that there is not sufficient evidence to justify the belief that private enterprise would be insufficient to bear the financial strain that is likely to be put upon it.

But it is necessary to repeat that we assume throughout these observations that the supremacy of the British Navy is unimpaired. A contrary hypothesis would indeed upset our conclusions, but in such a case a National Guarantee of our sea-borne commerce would only hasten the ruin of the Exchequer without averting the ruin of the Nation.

War Premiums.

57. The rates at which war insurance might be effected are obviously closely connected with, and in a large measure dependent on, the extent of the market for those risks, and, as such, have been mentioned in the last paragraph. But it will be desirable to examine this branch of the subject in greater detail, for it is possible, as suggested by one witness, that there should be a practically unlimited market "at a price," but that that price should be so high as to be prohibitive of business on any large scale. The war rates of the future must in any case be a matter of speculation, and when the circumstances on which they depend are so unknown a quantity as the conditions that may prevail in war between Great Britain and any other Power or Powers, it may be questionable how far it is profitable even to enter into a discussion as to their probable amount. Roberts q. 944

58. Sir Robert Giffen, for instance, regarded war insurance, especially at the beginning of a war, as "a gamble," but thought that Lloyd's was the most likely place where "a commonsense and practical view" of the state of affairs would be taken. He was not apprehensive of violent fluctuations continuing for a long time. He agreed with other witnesses that past experience such as that of the great war at the beginning of the last century could have but little value in these days. Giffen q. 3090 Giffen, q. 3088 Giffen q. 3092 Roberts, q. 935 Boulton, q. 1518 Bolton, q. 2766–9

59. Mr. Roberts argued that the increase in marine risks in time of war was in reality a war risk, the rise being due to the fact that, although the policy of this country was to keep its coast lights burning in time of war, there are nations which might not do so, and navigation lights might not always be used, introducing greater dangers from both causes. Roberts, q. 968–76

60. As to the forecasts made of the rates that might prevail;—on the supposition of a strong naval combination against us, Mr. Roberts put the war rates on a ship coming from Canada at about 2 per cent., while Mr. Lemon placed the premium for the same voyage, if we were at war with the United States, at from 8 to 10 per cent. Mr. Gow placed the rate at 5 guineas per cent. if a North Atlantic war were imminent, and thought that several captures in the early weeks of war would send up rates to 30 guineas. Mr. Beck thought that a rate of 2 or $2\frac{1}{2}$ per cent. would be sufficient to stop trade on long voyages, while Mr. Estall thought that 15 per cent. would not stop it. Roberts, q. 902–3 Lemon, q. 1193 Gow, q. 2606 Gow, q. 2610 Beck, q. 1469 Estall, q. 3823–4

61. In the case of a war with France, Mr. Lemon thought that a fair premium on a voyage from the Black Sea to this country through the Mediterranean would be 25 to 30 per cent., unless it was known that the French fleet was engaged elsewhere; while Mr. Boulton put the probable rate at 5 guineas per cent. Lemon, q. 1190 Boulton, q. 1666

62. The experience of wars in which we have not been a belligerent seems opposed to the prevalent idea that the rates rise in the early stages out of all proportion to the risk. In the Russo-Japanese war rates were low at the outset. Mr. Wright told us that competition had tended in the past to depress rates below a remunerative level, and he added that though war premiums were seldom in exact correspondence with the risk they were just as often below it as above it. In his opinion the tendency would be to under-estimate the risks, "if the British fleet kept its end up"; if it did not, then ships would not be insurable at all. The capture, say, of one or two Atlantic liners would have a "tremendous" effect upon the insurance market, though the loss of three tramps in a day between Gibraltar and England, while raising premiums considerably on this voyage, would hardly affect Atlantic voyages. Beck, q. 1221 Wright, q. 1972 Wright, q. 2034 Wright, q. 2055 Wright, q. 2066

63. It is obvious from the above that any estimate of probable rates which we might be tempted to make would be mere guesswork. We are, therefore, unwilling to hazard an opinion on the subject. But we feel we are on surer ground in acquiescing in the view that a man does not ship in time of war unless he expects to make a large profit, and that no rate of insurance can with certainty be described as prohibitive, without a full knowledge of the circumstances of the particular case and time in which it is attempted to be charged.

(Roberts, q. 891 Miller, q. 3458 Binning, q. 1924)

64. But, while we think it quite impracticable to state any figure for the market rates of insurance in time of war, we think it may be fairly anticipated:—

(1) That the initial rates will probably be based on the public estimate of the strength and readiness of the Navy in comparison with that of our opponents.

(2) That the general level of rates is likely to be higher during the period of tension just before the outbreak of war and during the earlier stages of the war, than later on when the risks could be more accurately gauged, and perhaps even certain routes declared to be comparatively safe.

(3) That initial successes or defeats will probably have a marked influence on the scale of rates not only at the moment but for some time afterwards.

(4) That the extent of the market for the insurance of war risks and the rates at which these risks will be insurable will depend upon the circumstances and area of each particular war, on the sea-power and facilities for attack of the other belligerent or belligerents and on the comparative strength and efficiency of H.M. Navy in relation thereto. But;

(5) That if command of the sea be assured, and proper protection given to commerce, the high rates which may be expected to prevail at the opening of hostilities will quickly give way to more moderate prices, and private enterprise will be equal to affording the facilities required by the country's trade.

Rates of Insurance Compared with Other Factors Influencing Prices in War Time.

65. We are, however, of opinion, that the effect of any probable rise in rates on the general level of prices and on the operations of trade and industry has been exaggerated.

66. As Mr. Bowles remarked, "The circumstances which finally govern prices are so numerous and so complex that it is a very rash thing to predict what the effects of anything in the world will be upon prices," and in a memorandum, which is printed as an Appendix, he laid before us some interesting information as to prices in the great French war. He thought that although considerable and even violent fluctuations of price within a limited period were very possible, yet that owing to the increased sources of supply and greater facilities of transport, these fluctuations would be within narrower limits than in former wars. In his opinion, of all the factors influencing prices, war risks would be the least important. Sir Robert Giffen and others took a similar view, and it was argued that the price of commodities at a port of discharge did not depend on the original cost to the individual merchant or shipowner, but on whether there was a scarcity or super-abundance of the article imported. If there was a scarcity, no scheme of insurance by the State could ever prevent the price from rising; and, on the other hand, if the supply exceeded the demand, then, however high the war premium, the price of the article must be depressed. While Mr. Gow, a Liverpool representative, referring to the opinion of special classes of merchants whom he had consulted, said that in the cotton market and the grain market, the rise in prices "would be incomparably greater than any amount of war premium that could be imagined."

(Bowles, q. 92 — Bowles, q. 248–9 — Bowles, q. 93 — Giffen, q. 3058 — Wright, q. 1979 — Gow, q. 2412)

67. Sir Robert Giffen was further of opinion that the disturbance of trade would be so great in war time that the mere rise in freights due to war premiums would be

practically a negligible quantity. He argued that a state of war did not necessarily lead to a general rise in prices, though it led to "a rise of prices in particular articles, according to particular circumstances, which require to be very carefully considered"; and further, that prices did not necessarily rise unless the production of the particular article was stopped. He drew our special attention to a fact to which he attached great importance, namely, that "the price of wheat did not rise during the American civil war, although at that very time the price of cotton rose so extravagantly." Giffen, q. 3057 Giffen, q. 3058 Giffen, q. 3076 Giffen, q. 3108

68. In his opinion the immediate effect of war between this country and a first-class Power would not improbably be a financial panic of unprecedented dimensions, and a suspension of specie payments as in 1797. He pointed out that the United States had suspended specie payments in 1861 and 1862, and that in 1870 France had not only suspended specie payments but had also enacted a moratorium for bills. Large gold withdrawals were also to be expected, as happened in the Polish war of 1831-2, the Revolution of 1848, the Crimean war, the American Civil war, the Austro-Prussian war of 1866, in the Franco-Prussian war of 1870, and to some extent the Russo-Japanese war. It might also happen that we should not have money coming to London for security if we were one of the belligerents, as it has done in former wars, and "the question would be whether anybody could live through." Giffen, q. 3004 Giffen, q. 3005 Giffen, q. 3060.

69. On the other hand, Sir Cyprian Bridge, Mr. Estall, Mr. Toomey and Mr. Strachey thought that the rates for war insurance would count for a good deal in the rise of prices to be expected in time of war, Sir Cyprian Bridge giving it as his opinion that prices would rise beyond the cost of transport and insurance, even though there was no diminution in the quantity of commodities coming into this country. He thought that the apprehension of the shipowner for the safety of his ship would lead to high freights, and the fear of underwriters as to what they might have to pay in case of loss, and the consequent high rates of insurance, would between them make a double rise which might be transferred to the prices charged to the consumer. Estall, q. 3839 Toomey, q. 4640 Strachey, q. 4920. Bridge q. 4801–3.

70. Upon a review of the evidence on this point, we are of opinion that the effect of any probable rise of insurance rates on prices has been exaggerated by the advocates of a National Guarantee. Without accepting in their entirety the opinions expressed by Sir R. Giffen, we think that he and other witnesses have shown that the cost of war insurance would be only one, and by no means the most important, of the many factors controlling prices at the outbreak and during the continuance of a great naval war.

The Experience of Recent Wars.

71. Many of the shipowners and underwriters who appeared before us based their opinions on their experience in recent wars or referred to these wars for confirmation of their views. The rates of insurance to be expected, the relative risks of belligerent and neutral shipping, and the question of possible transfers were all illustrated from recent events. It may be well to note at this point some of the special instances quoted. The war between Russia and Japan came more prominently before us than any other, but references were also made to the Spanish-American war and our own South African war.

The Russo-Japanese War.

72. With regard to Government demands in time of war, we were told that the Japanese Government absorbed the whole of the Mercantile Marine for purposes of State. Bridge q. 4815

73. With regard to the rates of insurance, the great variation in the premiums asked is most noticeable. So far as vessels that were not carrying contraband were concerned the premiums demanded were not excessive. Rates on neutral property varied from 10s. per cent. to 7 guineas per cent. According to one witness the rates of insurance to Japan were "absurdly small," it being supposed that the Japanese Mitcalfe, q. 4316 McArthur, q. 4579

Wright, q. 1981 would prevail on sea, whereas the "rates to Vladivostock were gigantic," because the Russians were thought to be weak. Even so, the rates in the latter case were insufficient, and underwriters lost money. A premium of 30 guineas was paid regularly on all coal shipments to Vladivostock for the Russian Government, and 50 guineas in some cases after the fall of Port Arthur; and "probably four out of five of them were captured."

Binning, q. 1914–15
Roberts, q. 872
Lemon, q. 1039

74. The whole difficulty of effecting insurances during the war seems to have been concentrated on Vladivostock, which can be approached only "through the Straits of Tsushima, or north *viâ* La Pérouse, or *viâ* Cape Elizabeth and Saghalien." The premium of 30 guineas was based on the supposition that vessels would be able to take the La Pérouse route, but this was rendered impossible by the unusual blocking of the ordinary channels by ice. The ultimate losses which underwriters suffered were stated to be due to shipowners insisting on proceeding with the voyage, "almost persisting in capture."

Roberts, q. 856
Beck, q. 1379
Beck, q. 1378
Beck, q. 1230

75. On the other hand, even in July, 1904, a cargo of rice in a ship bound from Rangoon to Japan, which "would rather take it within the region of any Russian cruisers at Vladivostock," was insured at $\frac{3}{8}$ per cent., and at the end of October in the same year a large amount of canvas was insured to Japan at $\frac{1}{2}$ per cent. Again, in the case of ships to Japan, the premium "may have been 3 per cent. at the first," but as soon as her superiority was established the rate "fell away to a very nominal one." Japanese vessels carrying flour from the West Coast of North America were insured at 20s. to 40s. per cent., "which is quite moderate."

Roberts, q. 870
Binning, q. 1762–3
Binning q. 1880

76. There was considerable complaint as to the uncertainty felt on the subject of contraband, and the position of neutrals in respect of war premiums was little if at all better than what we may fairly imagine that the position of ships belonging to the belligerents would have been had there been a sufficient number of them to carry the goods required. Doubt existed both as to the nature of contraband and as to the position of neutral shipping carrying what was avowedly contraband. It was of course known that contraband goods were liable to seizure, and that the vessel carrying them might, under certain circumstances, incur confiscation. But the penalty of confiscation of the vessel was according to some of the witnesses before us enforced by Japan upon an unexpectedly large scale. "It was held by Japan that the ships were liable to capture, and they have not returned them." "In fact, all the steamers captured were under neutral flags."

Harris, q. 578
Roberts, q. 870

Any extension of the doctrine of contraband naturally affects the position of the neutral, and a number of witnesses reiterated the complaint that "we never know what is contraband and what is not." In this war vessels were captured with very little reference to previous declarations, "because there was no agreement about contraband, and the law of contraband was very much extended by the Russians." "That is what we suffered from in the Japanese war. We paid for vessels which had no contraband on at all, but they were considered contraband." One witness said that the definition of contraband had been "our greatest difficulty throughout," and gave an instance of a claim made on behalf of a ship with a cargo of oil that had been destroyed After a lapse of two years judgment was given in favour of the shipowner, that the cargo, being oil, was not contraband; but, on the case being taken to another court to enforce payment, "the Russians described the cargo as 'pétrole,' and repudiated everything." Another witness, though admitting that in a European war there might be a tendency to grant lower premiums to neutral goods in neutral bottoms, upheld the extreme view that the war had proved that the Declaration of Paris was in effect non-existent, and that neutral ships were liable to capture even when they were neither carriers of contraband nor consigned to a blockaded port. And a third concluded from his experience of the war that "the supposed immunity of neutral vessels is largely illusory," and that in future nations would do whatever they could to inconvenience the other belligerent "so far as they could do so without inconvenience to themselves," the only deterrent being the possibility of quarrelling with the neutral if they carried interference to a vexatious extent.

Bowles, q. 148
Lemon, q. 1044
Wright, q 2052
Roberts, q 987.
Wright, q. 2026
Jones, q. 302
Beck, q 1438.
Mitcalfe, q. 4362
Roberts, q. 987–98
Wright, q. 1987
Wright, q. 2027
Wright, 2028

77. To show how carefully the risks were estimated at Lloyd's, Mr. Beck told us that in the early part of the war, vessels under the English flag carrying coal to

Japan were insured for ½ per cent., and these vessels, though stopped in the Red Sea by Russian cruisers, were allowed to continue their voyage. But, with the progress of the war, the Russians did not wait to comply with the rules of warfare as laid down in books, and sank the ships at once, and the rates were then raised to 30 guineas per cent. Beck, q. 1221 q. 1219

78. The same witness informed us that the lessons learnt by underwriters in this war, were :—

(a) That all possibilities or probabilities based upon the past are absolutely fallacious; (b) that, in future, no captures will be made by an "Alabama," but only by a war vessel of some sort kept in communication with the mainland by means of wireless telegraphy; (c) that capture by the enemy will be looked upon as a very useful market by shipowners, and must be guarded against. Beck, q. 1266

Other Recent Wars.

79. Of the *Spanish-American War* (1898) we were told that the only serious damage to commerce by either fleet was occasioned by the capture of Spanish ships loading in the Gulf of Mexico. "They (the Americans) stood in the Gulf of Mexico and swept it. That was three days before war was declared." War risks in America went up to 12 guineas per cent. when a Spanish squadron sailed east through the Suez Canal, the Americans thinking that the Spaniards meant to attack them on the Pacific coast. But "here these risks could always be covered . . . at 2 per cent." The fact that neither belligerent was very much dependent on oversea supplies, and that the war was on a comparatively restricted scale, makes it impossible to infer from it what would happen in our own case. "The only thing one did observe," said one witness, "was a very sudden rise in the price of cigars." Roberts, q. 901 Roberts, q. 859 Gow, q. 2438–40

80. With reference to the *South African War*, our attention was called to the large demands on the mercantile marine for purposes of transport, and the general increase in the prices of charter parties and freights to all parts of the world. Gow, q. 2441–2

81. We do not consider that the experiences detailed above are sufficient to afford material for any definite conclusions of general application. It is, however, worth while to note as bearing upon our inquiry—

(1) The large demands upon the mercantile marine made by our own Government and the Japanese Government in the South African and Russo-Japanese wars respectively.

(2) The comparative moderation of the rates of insurance asked in respect of the shipments to Japan owing to her naval superiority.

(3) The enormous premiums asked for shipments to Russian ports in the far East owing (a) to the geographical position of those ports in the far East; (b) to the inferiority of Russia at sea.

(4) The uncertainty prevailing on the subject of what does, and what does not, constitute contraband of war.

(5) The fact that the high rates here mentioned were charged on neutral shipping which would appear to have fared little, if at all, better than belligerent shipping might have done had it been available in sufficient quantity to carry the trade.

Naval Policy and the Protection of Commerce.

82. We have more than once referred to the absolute necessity, whether any scheme of National Guarantee be adopted or not, for maintaining our naval supremacy. It is indeed obvious that the national object must be to secure the arrival of supplies rather than to provide individuals with an indemnity for their losses. In the words of Sir Thomas Sutherland, "It is absolutely necessary, if you are going to have any insurance system that will be operative, that we shall have a very strong Navy, because other

Sutherland, q. 4259 wise any scheme of indemnity with regard to shipping in war time would . . . become a dead letter." As has been mentioned already, he thought that neither ship-
Sutherland, q. 4260 owners nor seamen would care to tempt their fate on the mere chance of recovering insurance if the danger of capture, imprisonment, and loss of life were very serious.

83. The witnesses who came before us were as insistent as those who appeared before the Royal Commission on the subject of the Strength of the Navy. In Mr.
Estall, q. 3912 Estall's opinion, "The whole commerce, and every thing, entirely depends upon the strength of the Navy, and the number of cruisers capable of protecting our commerce."
Sutherland, q. 4276 And, in another place, Sir Thomas Sutherland agreed that, "Whatever money we have to spend had better be spent on keeping the Navy strong than on paying for losses which might occur through a weak Navy."

Bridge, qs. 4834, 4836 84. In the course of his evidence Admiral Sir Cyprian Bridge defined the object of commerce destroying as against this country as being to make the British Isles a blockaded area, though he admitted that the difficulties of imposing anything like a real blockade on our coasts would be enormous. Mr. Bowles gave us a graphic sketch of the natural protection which the United Kingdom enjoys, calling our attention to the width and number of the approaches to the British Isles. He said that "from Norway to the Orkneys is 300 miles, from the Orkneys to the northern end of Ireland is 350 miles, from the Northern end of Ireland to Cape Clear at its southern end is 300 miles, from Cape Clear to the Scilly Islands is 150 miles, and from the Scilly Islands
Bowles, q. 79 to Ushant is 100 miles," or 1,200 miles of sea in all, every mile of which has to be stopped before access to the British Islands can be prevented.

Bowles, q. 172 Harris, q. 633 Boulton, q. 1506 Boulton, q. 1508 Boulton, q. 1714 Harris, q. 633–5 85. But though the avenues of approach are wide, the dangers to the Mercantile Marine under modern conditions are also great. Thus Mr. Bowles himself declared that the regulations as to privateering were of little value. We were told that it would be easy for an enemy to commission vessels for the purpose of commerce destruction, since all that is necessary for the purpose is an "antiquated gun that will throw a 3-inch shell 250 yards." The helplessness of merchant steamers in time of war had been very much impressed on some witnesses by their experience in the Russo-Japanese war, and it was felt that they would be "like a flock of sheep with a wolf amongst them" whenever a cruiser appeared on a trade route.

Balfour, q. 7 86. The impression made upon Lord Balfour's mind by the evidence taken before the Royal Commission was that the policy of the Navy would be to protect commerce not by convoys, but by bottling up the hostile Navy in its own ports. And we were confirmed in this impression by what we gathered from the witnesses who appeared before us. We believe, however, that it is admitted by naval authorities that no blockade, however effective, can at all times prevent the escape of one or two of
Sutherland, q. 4261 the beleaguered ships. In Sir Thomas Sutherland's opinion, "What one would have to fear most would be the escape of a cruiser, say, from blockade."

Bridge, R. C., on Food Supplies, q. 11275 87. We desire to call special attention to the evidence of Sir Robert Giffen and Sir Cyprian Bridge. Sir Cyprian Bridge had been one of the witnesses before the Royal Commission, and came to us after having devoted special consideration to the Commission's Report. He wished to emphasise the remarks which he then made as to the need of a sufficiency of cruisers to keep the enemy's commerce destroyers continually on the look out for their own safety. Sir Cyprian Bridge's argument was that although a nation would probably suffer if its naval strategy was based on the destruction of the enemy's commerce, yet it was not unsound to make it a subsidiary object. He thought that in the case of war with the United Kingdom there would be peculiar justification for an enemy to regard commerce destruction as an immediate object of strategy, since the aim would be to enclose these islands in a blockaded area, which would have to surrender if supplies were cut off. In his opinion it was very unlikely that an enemy would be able to carry out their purpose, though they would make us very uncomfortable in the process. His actual words were, "They (the enemy) would get to some extent a run for their money if they did it. There would
Bridge, q. 4862 be very great temptation on their part to do it; it would undoubtedly injure us to some extent." He added that it was not easy to understand why certain nations have
Bridge, q. 4864 outlying fortified ports unless they were intended to act as convenient bases for the attack of our commerce.

88. Sir Robert Giffen expressed the apprehension that "the Admiralty may be too much under the impression that what they have got to do is to beat the enemy." He thought that the prevention of certain evil consequences of war was no less a part of their duties, and should be kept in mind; and he argued that while the damage in war from a particular military occupation might from a military point of view be comparatively small, from a moral point of view it might be so considerable that it became an important strategic factor. Giffen, q. 3084 Giffen, q. 3123-3129

89. In the Report of the Royal Commission 33 paragraphs are devoted to a consideration of the "Extent to which Trade with the United Kingdom can be protected from interference on the part of an enemy during a maritime war." And in the main we agree with the findings of the Commissioners. No scheme of National Guarantee can compensate for the absence of effective provision for the protection of commerce and of carefully prepared plans of commercial defence. Nor will the offer of a monetary indemnity to individual traders supply the Nation with its necessities or relieve the Admiralty from the pressure of public opinion if serious losses occur; whilst to encourage the supposition that since individuals received compensation, the importance of protecting our sea-borne commerce was in any way lessened, must under any scheme, whether of insurance or indemnity, be attended with disastrous consequences to the Nation. Report of R. C. on Food Supplies, pars 115–148

90. It is no part of our duty to indicate in what way this necessary naval protection may be most effectively given to our shipping, nor do we feel competent to attempt the task. But we should fail to express the deepest impression which the evidence we have heard has left upon our minds if we did not place clearly before your Lordships our profound conviction that any scheme of indemnity can at best be only an adjunct to and not a substitute for effective naval protection.

Part III.

91. Certain questions incidental to the adoption of any scheme of National Guarantee have now to be considered.

These questions have reference to:—the allegation that an indemnity would in effect confer a bounty on shipowners and be unfair to other interests not similarly protected; the ability of shipowners and merchants to contribute under a system of insurance; the cost, and the incidence of the cost, of an indemnity; the effect of a State scheme on the reputed ownership of goods and on the action of enemy prize courts; the need for and effect of Admiralty control; the possibility of separating sea risks from war risks in such a way that the State may undertake the war risks without prejudice either to the shipowner or merchant in respect of his cover for sea-risks; the danger of fraud; and the difficulties of administration and machinery.

The Argument that Indemnity would be Unfair to other Interests, and would Confer a Bounty on Shipowners.

92. Here, as in so many of the questions which were discussed with witnesses, there was some conflicting evidence. Shipowners and others directly connected with shipping interests were inclined, as was but natural, to minimise the particular benefit that might be expected to accrue to them. Stress was laid on the extra expenses in the matter of wages and cost of provisions to which they would be liable as belligerents, and it was urged that it was fairer to distribute losses through the medium of taxation than to allow shipowners and cargo-owners to bear the burthen of loss directly. Lord Balfour felt that the risk of indemnity being regarded as a special protection for the benefit of a particular industry at the expense of the whole community was one that might fairly be taken because of the benefits to be derived from the existence of a scheme. But that indemnity might act as a special protection was admitted by a shipowner, Mr. Brightman, who thought that the free compensation of a particular interest was likely to be regarded as inequitable to the community at large, and by Mr. Miller, who said that "one would have to be educated up to it" (*i.e.*, to the idea that indemnity did not unduly favour a particular interest). Harris, qs. 612-614 Balfour, q. 33 Brightman, q. 3337 Miller, q. 3472

Another witness pointed out that others besides ship and cargo-owners are affected by, and often insure themselves against war risks. "For instance, a banker holding Consols in the ordinary course of business" may insure them, since if war breaks out Consols may fall 10 per cent., and that may mean a loss of hundreds of thousands of pounds to him. And Mr. Estall, who gave a similar example, held that any system of indemnity would constitute a preference in favour of shipowners and merchants against the general community. It will also be remembered (*vide* par. 11) that at the last annual meeting of the Association of Chambers of Commerce, there was evidence of a strong feeling that it would be unfair to confine the indemnity to maritime risks.

Nugent, q. 3570

Estall, q. 3859, 3970

93. It is further interesting to note the admission from the representative of the Liverpool Steamship Owners' Association that if no premiums were charged, British shipowners might not only benefit from the absence of premium as compared with neutrals, but would also benefit by some additional freight which they would be able to secure in competition with neutral ships. Mr. Bolton admitted the fact frankly, saying, "No doubt by the scheme of indemnity you do benefit shipowners and cargo-owners, but you cannot help it. You do not do it for that purpose; that is incidental."

Hill, q.3804

Bolton, q. 2855

94. To Mr. Wright "the notion of giving away this indemnity" seemed "grotesque," and he added that, in his opinion, a free grant would amount to a bounty to shipowners and merchants, and a subsidy to foreigners, since a large number of steamers enjoying British register are owned entirely by foreigners, and, it might be, a subsidy to the enemy, owing to the transfer of the ownership of goods which the scheme might cause. To this last point we return later. Others spoke of an indemnity as a "bounty," or even as a "handsome present" to the shipowners at the expense of the country; while to Sir Robert Giffen it seemed that "those receiving the indemnity obtain a special advantage as compared with the rest of the community, which is equally suffering losses."

Wright q. 2040
Wright, q. 1983
Wright, q. 2002
Wright, q. 2003
Binning, q. 1832
Roberts, q. 874
Giffen, q. 3044

95. We have already indicated our opinion (Paragraph 48 (d)) that the war charges on neutrals will be considerable. To give, therefore, a free indemnity against all the risks of war to our own shipping would place it actually in a better position for competing with foreigners in war than in peace. It must also be acknowledged that it would single out for special protection by the State a particular class of industry and investment. No doubt this class is of special importance to the trade of the country, and stands in some respects in a peculiar position, but the losses of war would not be confined to the people covered by the suggested guarantee, and it is hardly to be expected that other interests which were also suffering would be very willing to contribute largely to a scheme from the direct benefit of which they were excluded.

Contributions from Shipowners and Cargo-owners towards the cost of a State Scheme.

96. If the conclusion at which we have arrived in the foregoing paragraph be correct, and the grant of a free indemnity to our shipping and overseas trade in time of war be in fact something more than an equalisation of conditions between British and neutral trade; if it would amount, as we think it would, to a positive bounty, placing British shipping actually in a more favourable position in competition with neutrals than it occupies in time of peace, then there is obviously no intrinsic injustice or inherent negation of the object proposed by the advocates of a National Guarantee in requiring, as many of them do, some contribution from the shipowner or cargo-owner, or both, towards the expenses which the State by any such scheme takes upon itself. We have accordingly sought to ascertain by what means such a contribution could be best secured and how far any of the different schemes suggested would be likely to meet with the favour of those most immediately concerned.

97. Various plans, having this object in view, have been brought to our notice. We do not propose to describe them here at any length for reasons which will become

apparent as our report proceeds, but they fall generally under one or the other of the following categories :—

(1) That the State should in time of war take the place of the ordinary channels for the insurance of war risks.

(2) That a special tax should be charged in respect of British and neutral shipping and imports during war, so as to form a fund for the indemnification of captured ships and cargoes.

(3) That a small fixed contribution should be levied on ships, which should in reality be little more than a registration fee.

(4) That a low maximum rate should be fixed for war risk premiums, and that the State should declare its willingness both in war and peace to accept risks at this rate.

98. The one point common to all these suggestions was that some sum should be levied directly from the interests concerned in the supply of the British Isles in time of war. They differed as regards the amount of the premium, the method by which it should be collected, and the question whether the tax should be leviable in peace as well as in war.

99. With regard to No. (1), viz. :—That the State should in time of war underwrite all the war risks of shipping, the main arguments urged in favour of it seem to be that, as the State would not seek to make a profit, the premiums asked might be lower than those in the open market by at least that part of them which represents the profit of underwriters ; and further, that as the State is possessed of a longer purse than either companies or individuals, it can face the prospect of a run of ill-luck with comparative equanimity, and the premiums asked may fairly be based upon the average rate of capture anticipated for the war as a whole, taking good times and bad times together, provided always, and this is an essential condition of such schemes, that the whole business of war insurance is reserved to the State and private insurance of war risks is forbidden by law.

100. In these conditions, it is argued, the premium might be set at a lower rate than would be asked in the open market, while, theoretically, the correct rate would be an amount whose total at the end of the war would exactly counter-balance the demands that would be made on the State for the indemnification of losses.

101. The criticism of any scheme of State insurance on these lines was in our opinion destructive.

102. Direct insurance by the State was condemned as unworkable, owing to the absence of the necessary machinery. An expensive department would have to be formed, and kept up so as to be as "ready to undertake its operations on the threat of war as our Navy is," and Government agents would be required all over the world, since the work to be done might be equal to the ordinary peace work of Lloyd's and all the insurance companies put together.

Lemon, q. 1037
Owen, q. 2261
Gow, q. 2619
Toomey, qs. 4745, 4749, 4657

103. Again, if the State tried to charge a premium the men employed to set the rate would tend to make it too low, because "none of the ordinary methods that govern a business man would operate in such a case," they would wish to oblige their friends, and there would be great justification for their doing so, because the object of the rate would be to encourage ships to sail.

Wright, q. 2006

104. Outside insurance would have to be forbidden, and there would be immense difficulty in preventing it. If it were allowed, then, as soon as the State rate was fixed the underwriters would try to undercut it, with the result that the State would "get all the bad risks, and the underwriters . . . all the good ones," while the consumer would have to pay not only the indemnity but the enhanced prices resulting from captures as well. The unfairness of this arrangement was commented on, and it was also pointed out that unless the premium could absolutely be adjusted it might happen that British shipping would be handicapped as compared with neutrals, and

Wright, qs. 2101, 2103
Boulton, q. 1629
Gow, q. 2554
Strachey, q. 4980

Harris, q. 534

that it would tend to drive British shipping to neutrals. The opinion of the Chairman of the Liverpool Underwriters' Association was expressed as follows:—"We do not see how any Committee. . . is going to fix premiums and assess values, and pay claims, with what shipowners would understand to be promptness, without at the same time admitting a great deal that is improper, and possibly even fraudulent."

Binning, q. 1781

105. The above considerations apply to the insurance of ships, but they apply with ten times the force when the insurance of cargoes is concerned. As Mr. Owen said, "If you think of what a ship brings: take one of these ships bringing 10,000 or 20,000 tons of cargo, split up amongst 200 or 2,000 different consignments, each of those 200 consignments, or whatever number there may be, having to be separately insured; if you think of all those to be dealt with in one office, all the ships coming from all parts of the world, thousands of people coming to insure, you would not have an office large enough to hold the people coming in. A man would sit there all day and all night, and not be able to see the underwriter. As it is, if you go to Lloyd's, and want to see an underwriter who is doing a big business, you see a regular queue of people waiting to call on him with their slips. You would want a place like the Albert Hall, and underwriters sitting all round it."

Owen, q. 2265

106. With regard to No. (2), three schemes were suggested to us for payments which were coupled with the imposition of special taxes intended to create the fund out of which compensation should be paid.

107. These were Mr. Owen's scheme, the scheme prepared in the Intelligence Department of the Admiralty and put forward in evidence by Captain Jones, R.N., and Mr. Beck's scheme. All three are printed as Appendices, and a memorandum by Captain Sir Charles Ottley, R.N. (a member of our Committee), is attached to the second of these schemes.

Owen, Appendix

108. Mr. Owen suggested the revival of the navigation laws, a tax on British goods exported by neutral ships, and the prohibition of the sale of ships to neutrals. In addition, he recommended an annual registration tax on all ships enrolled on a list of those qualified to enjoy the benefits of a State guarantee in time of war.

109. Captain Jones' scheme provided for the payment of the cost of the indemnity by the levy of a tonnage tax, or by dues levied on British and neutral shipping on the analogy of Pitt's Convoy Act of 1798, and suggested that payment should be made only where the minor war risks (demurrage, detention, etc.) had been insured in the open market, the object being to reduce the cost of Administration, to enlist the assistance of the underwriters on behalf of the Government in decisions as to values on which indemnity should be paid, and to prevent fraud.

On the other hand, Mr. Beck suggested that ships on certain permitted routes should be made to pay 1 per cent. of the value of hull and cargo on arrival.

110. We do not think that it is necessary, in view of what we have said already on the subject of insurance, and of what follows on the subject of a registration tax, to discuss these schemes more fully here.

111. With regard to No. (3), viz.: that a registration fee should be levied which should qualify for compensation for loss in time of war, it is to be remarked that the lower the fee the nearer the approach to indemnity, and the higher the fee the nearer it approaches to insurance. The registration or qualification fees suggested were always small in themselves, and were applicable in peace as well as in war. It was only in their cumulative aspect that the fees became large and approached insurance. The special advantage claimed for this form of insurance is that it would enable "values" to be settled in time of peace, so that there could be no question on this account in time of war. This no doubt would be a very great advantage. But it would also mean the maintenance of a large staff of skilled valuers in time of peace, and, as will be seen later on (par. 194), our opinion is that it would be a more satisfactory arrangement, and entail less expense upon the public purse in the end, to

pay on values that were estimated by competent persons after loss. A registration fee would necessitate the annual valuation or revaluation of all the vessels on the British register, which in our opinion would be more costly to the country than the risk of paying somewhat inflated values on what we hope may be the small number of captures to be anticipated in time of war.

112. It is to be noted that schemes in this category would apply to ships only. No method has been suggested to us by which they could be applied to cargoes.

113. Thus, on the assumption that shipping was charged 5s. per cent., it was calculated that the 18,000,000 tons (including coasting and sailing vessels) on the British register, valued at £10 a ton would produce £450,000 a year, and the Government would be in funds to the extent of well over £11,000,000 after a peace lasting 25 years. It was admitted by a shipowner that he might afford 2s. 6d. per cent. as a registration or qualification fee in time of peace, but he declared that it would be impossible for him to distribute any considerable addition in the form of increased freights, and added that there would be much opposition if more than a nominal contribution was demanded. Even at 2s. 6d. per cent., the charge on some of the large lines would amount to a serious addition to their working costs; and if such a tax had been imposed at the beginning of the Napoleonic wars, shipowners might have paid it for a century without obtaining any direct benefit from it. The opinion of another shipowner was that "economically" perhaps shipowners could afford to pay something, but "everything they pay would do more damage either to the country itself or to British shipping than the good that the country would obtain from such a payment." And, further, "a very small handicap very often means a tremendous change in the centre of gravity of trade," and might possibly cause a transfer of British ships to the Indian or Colonial register in order to avoid payment. Mr. Owen in his scheme suggested an annual fee of £3 for each 1,000 tons or fractional part of 1,000 tons gross. Sir Thomas Sutherland feared that any scheme for payments in time of peace as well as war "would mean, I suppose, imposing a heavy burthen upon the shipowning community, and I do not think such a scheme would ever have a chance of going through Parliament." While Mr. Mitcalfe of the North of England Protecting and Indemnity Association, asked, "why should a shipowner pay the 2s. 6d. when he can come to us and get covered without any such scheme during peace."

Angier, qs. 796–8
Angier, q. 799
Brightman, q. 3134
Brightman, q. 3142
Brightman, q. 3229
Harris, q. 564
Harris, q. 565
Brightman, q. 3185
Owen, Appendix
Sutherland, q. 4262
Mitcalfe, q. 4342

114. The sub-division No. 4 is represented by Sir George Clarke's scheme, which deserves fuller consideration.

This scheme suggests provision for State insurance through the agency of underwriters at fixed premiums, the standard of which can be lowered but not increased, and distributed by sections over the great trade routes to and from this country.

To quote Sir George Clarke's own words:—"The only justification for any form of National Guarantee of the war risks of shipping and cargoes, is the strong presumption that excessive or violently fluctuating insurance rates might have disastrous effects upon the shipping and mercantile interests, and through them upon the nation at large." The reasons which led him to prefer a scheme of purchased indemnity to a scheme of gratuitous indemnity are explained by him to be:—(1) The prevention of the over-statement of values which he feared under a gratuitous scheme. (2) The want of elasticity in a gratuitous scheme. (3) The fact that in war time freights would rule high, and that shipowners and merchants could afford to pay towards the cost of a scheme which worked for their special benefit. (4) The gross injustice involved in expecting the general public to pay for the protection of one particular industry.

Par. 7
Par. 15
Par. 15
Par. 17

115. In Sir George Clarke's opinion a material rise in war risk premiums would not check maritime operations, and in principle he thought there was no valid objection to a limited *ad valorem* contribution levied on shipping and cargoes. But he felt that the magnitude and the multitude of the transactions involved would make it impossible for any Government department to cope with them successfully, and that any scheme to be practical must be settled before the outbreak of war.

Par. 18
Par. 19

116. He proposed, therefore, that the State in time of peace should lay down a schedule of rates corresponding to zones of voyages, and should empower established insurance offices and underwriters to issue policies on behalf of the Government on commission.

He suggested a schedule of rates on the following lines as an illustration or model of what such a system would require :—

		Per cent.
(*a*)	Vessels crossing the English Channel or North Sea	$\frac{1}{2}$
(*b*)	Vessels entering the Baltic	1
(*c*)	Vessels passing through the English Channel	$\frac{3}{4}$
(*d*)	Vessels passing through the Irish Channel	$\frac{1}{4}$
(*e*)	Entrance of English or Irish Channel to Gibraltar	$\frac{3}{4}$
(*f*)	Mediterranean	$\frac{1}{2}$
(*g*)	Entrance of Channels to Cape or South America	1
(*h*)	Entrance of Channels to North America or West Indies	1
(*i*)	Suez or the Cape to Australia or the East	$\frac{1}{2}$

Under this schedule a vessel and cargo proceeding from London to Australia would be charged $\frac{3}{4}+\frac{3}{4}+\frac{1}{2}+\frac{1}{2}=2\frac{1}{2}$ per cent. viâ the Suez Canal, or $\frac{3}{4}+1+\frac{1}{2}=2\frac{1}{4}$ per cent. viâ the Cape. Admiralty control of the movements of the mercantile marine was stated to be as necessary under this scheme as under one of free indemnity.

Par. 28

In cross-examination the attention of witnesses was especially directed to this scheme, and their opinions are summarised below.

Harris, q. 648–51
Harris, q. 629

117. Mr. Leverton Harris admitted that British shipping might pay a premium calculated to counteract the bounty which a gratuitous indemnity would give it, but he thought that insurance by compartments would be unworkable.

Roberts, q. 954
Roberts, q. 948

Mr. Roberts (an underwriter) thought that it would be quite possible for underwriters to act as agents of the Government on commission. He said that if the State had a fixed schedule for particular routes, underwriters would still undercut whenever they wished.

Beck, q. 1309

Mr. Beck (an underwriter) held that underwriters would probably refuse to undertake the work.

Boulton, q. 1729*

Mr. Boulton's opinion was that there would be great difficulty in handing over premium forms to underwriting firms and asking them to complete the transaction on behalf of the State, and added that as a business arrangement, he would not himself entrust "a power of that sort" into the hands of firms that he knew very little about,

Boulton, q. 1730*

since it would be giving over the whole risk "to people who are not going to run any risk themselves."

Binning, q. 1937

Mr. Binning, on the other hand, considered that if the schedule of rates was fixed in a clear form, it might be arranged that all the actual business of insurance could be carried on by underwriters acting on behalf of the Government ; and thought that a scheme of this kind might be effective during the critical period just before and just

Binning, q. 1930

after the declaration of war, but that afterwards natural methods would assert themselves.

Gow, q. 2554
Gow, q. 2573
Gow, q. 2562
Gow, qs 2614, 2618.

Mr. Gow said that a fixed rate might either be grossly inadequate or grossly exaggerated. In the one case, the State would be greatly underpaid for the risk it was running ; in the other case, it might be overcharging for it. He thought that if it could be properly worked a scheme of purchased indemnity might have a steadying influence, that it would be more economical than gratuitous indemnity, and that people would be more careful if they had to pay something than if the scheme were gratuitous. But he felt that it would be difficult to find underwriters to act for the Government on the outbreak of war, when they would all be very busy themselves.

Bolton, qs 2881, 2883.

Mr. Bolton thought that the actual working of the scheme would be very difficult, even though it were made mechanical as far as possible by the establishment of zone rates.

Sir Robert Giffen was "not at all opposed" to a Government system of insurance at fixed rates varying with different journeys; and thought that it might have a steadying effect at the beginning of hostilities, even though "you could hardly do very much by special expedients" of this kind. He considered that trade would be able to bear maximum rates on the longest zone amounting altogether to 2½ per cent. Giffen, q. 3094 Giffen, q. 3098 Giffen, q. 3097 Giffen, q. 3095

Mr. Brightman and Mr. Maclay (both shipowners) said that this scheme was preferable to nothing, and would be practicable; and Mr. Toomey (a banker) thought that rates variable below a fixed maximum as suggested would be satisfactory to the trading community. Brightman, q. 3355 Maclay, q. 4141, 3 Toomey, q. 4665

Mr. Strachey, while admitting that the scheme would have good results, and would be very much better than nothing, felt that "if the Government was going as far as that, it would be simpler to assume the whole risk." q. 4777 Strachey, q. 4991

118. Lord Balfour referred us to Mr. Wilding's scheme of State Insurance, which had been brought before the Royal Commission on Food Supplies in Time of War. Balfour, q. 11

This scheme is simpler than the foregoing, and shows, perhaps, more clearly than Sir George Clarke's the principle that lies behind all schemes of purchased Indemnity, viz., that the State only becomes concerned, on behalf of the community, in the rates charged for war insurance when the increase is such as to have a marked effect upon the prices charged to the consumer.

Hence Mr. Wilding suggests a single rate per cent. for all ventures, which has no reference, either actual or implied, to the particular risks to be faced; but is fixed at the point beyond which insurance rates cannot, in Mr. Wilding's opinion, rise without causing an injurious increase in the price of commodities. Mr. Wilding placed this point at 5 per cent. The precise figure which ought to be chosen for the purpose is obviously incapable of exact determination. Different minds will fix it at different levels, and it is probable that a rate which, under one set of circumstances, would have no appreciable effect on prices, might, under different conditions, prove unduly high.

It will be seen that many of the same objections may be urged against this proposal as were brought against Sir George Clarke's scheme.

119. As already stated, there is, in our opinion, no reason of abstract justice why shipowners and cargo-owners who would find themselves specially favoured under a system of State guarantee should not be expected to contribute towards its cost. But after reviewing the schemes that were brought before us, and the criticisms that were passed upon them, we are unable to recommend any of them for acceptance. They must be judged not only by their theoretical justice but by their expediency and practicability and by the measure of approval which they would be likely to elicit from those most directly interested.

On all these grounds they appear to us to fail.

120. It might be practicable to levy a tax upon shipping in time of peace, but we cannot regard it as expedient in view of the general objections that any tax would *pro tanto* affect our power to maintain our existing trade in competition with neutrals, and that it would be paid unwillingly, or might even result in the transfer of ships from British to Colonial or foreign registers in order to escape the burden. The staff required to fix values, and accept payments in time of peace, would be both large and expensive, and would make a heavy inroad on the proceeds of the tax, whilst we find it impossible to name a sum that would be likely to be acceptable to Parliament, and at the same time reasonably sufficient for the creation of an adequate compensation fund out of which to pay for losses.

121. The difficulties in the way of taxation of cargoes in time of peace are even greater, and seem to us to be insurmountable.

122. We are therefore of opinion that the levy of contributions in time of peace towards a scheme of State Insurance in time of war is not practicable.

123. With regard to payments derived from special taxes levied on shipping in time of war only, the same difficulties confront us to a large extent. But the schemes propounded for this purpose are not confined to a simple indemnity. They raise large questions of fiscal and trade policy, which it is not within our province to decide. The evidence given before us does not however lead us to suppose that they would be generally accepted by the mercantile and shipping community, and it is to be observed that if the proposed taxes were confined to British shipping, they must tend to defeat *pro tanto* one of the purposes of a National Guarantee by imposing a special charge on our own shipowners, from which their neutral rivals would be free; whilst if the taxes were applied generally to all shipping visiting our ports, whether British or foreign, they must tend to raise the cost of the imported articles and so defeat the other object of a State scheme, namely the cheap supply of food and raw material.

124. There only remains for consideration the scheme set before us by Sir George Clarke, and described in a preceding paragraph, and more fully in his memorandum.

125. This scheme is avowedly a compromise between a free indemnity and an ordinary insurance. Its object is to prevent rates rising to a point at which either trade must become unremunerative or prices of commodities become oppressive. Rates are to be fixed beforehand and are to be open to acceptance at any time by merchants or shipowners; but no compulsion is to be exercised, and, as long as open market rates are lower than those of the State, the insurer will naturally do his business there rather than with the State. It is only when the State rate is lower than the market estimate of the risk that the offer of the State will be accepted, and the fixing of the State rates will be an arbitrary operation for which under the circumstances it will be difficult to provide any stable foundation.

126. We do not think that such a scheme stands any chance of acceptance or would meet with public approval. It was evidently difficult of comprehension and strange to all the witnesses who came before us. Some of them indeed said that it would be better than nothing, but these generally thought that the amount which would be received by the State would not be commensurate with the trouble it involved, and they preferred a free indemnity. It was commonly met with the objection that it would leave the State with all the bad risks and the market with all the good ones, and no method was suggested to us for applying it to cargoes or for adjusting it to the many and varied cases presented by the activities of our mercantile marine. Great inconsistencies appear to us inseparable from the scheme, which besides involves an amount of administrative detail that would probably be fatal to success and pre-supposes a hearty and universal co-operation on the part of underwriters, which the evidence before us gives us no sufficient reason for anticipating. The risks on the several routes would vary from time to time during a war, and such variations might be sudden and violent. This consideration by itself appears to constitute a formidable objection to any such scheme.

127. Even if we admit the possibility of obtaining contributions from the direct beneficiaries we feel so strongly the immense difficulties in the way of State action that we cannot recommend the extension of the State's activities in this direction. Those conversant with the high standard of accuracy and attention to precedent demanded from a Government department, and the instant challenge from the public if there is any apparent inequality of treatment, will appreciate the impossibility of expecting successful results from a department that would have to be created, or at any rate very largely extended, at a moment when everyone concerned would be working at extreme pressure.

128. We arrive therefore at the conclusion that the idea of contributory schemes must be abandoned, and that it would be necessary that a National Guarantee, if given at all, should take the form of a free Indemnity to our national shipping and maritime trade.

Cost of a National Indemnity.

129. The estimates of the probable cost of a guarantee were very divergent. They are summarised in the Appendix, and we do not therefore think it necessary to discuss the figures here, for even if the total values at risk could be satisfactorily determined, there remains the question of the proportion of losses to be expected. The answer to this question is a matter of pure speculation. It must obviously vary with the circumstances of each particular war, with the geographical position and naval strength of the enemy or enemies to whom we may be opposed and with the state of preparedness and efficiency of our own fleet. We have been referred more than once to the experience of the great French war; but there seems to be some doubt as to the actual figures of *bonâ fide* losses in that contest since some of the cargoes reported as captured were probably deliberately thrown into the enemy's hands to evade the Berlin Decrees and the Orders in Council. But, even if trustworthy figures were obtainable, the conditions both of naval warfare and maritime commerce have been so completely revolutionised in the intervening years that we do not think it safe to found upon them any calculations for the future.

130. We confine ourselves therefore to stating that in our opinion the initial losses may be large, and though in the course of prolonged operations a condition of much greater security would probably be established as the war proceeded and our naval superiority made itself felt, the aggregate might nevertheless be considerable. It would be for the Chancellor of the Exchequer to consider whether he could afford to assume this additional burden, falling as it would at a time when the national resources were exposed to the tremendous financial strain of a great war.

Incidence of the Cost.

131. But whatever the cost to the Nation of a scheme of National Indemnity, it was argued by some of the witnesses that it would be both less in amount and more fairly distributed if it were assumed directly by the State than if it were left to find its way to the consumers through the ordinary channel of trade. Thus Lord Balfour held that the consumer would ultimately have to pay in one form or another all the additional charge for war insurance on what he consumed; that in this matter the consumer and taxpayer were convertible terms; and that it was "better to put it (the cost) on the taxes rather than to leave the individual consumer to pay it as best he can." Balfour, q. 17

132. Mr. Bowles on the other hand combated the idea that it was fairer for the State to bear the whole of the losses than that they should be divided among all the possible losers. He pointed out that the State in this case meant the taxpayer, who was not necessarily the same person as the shipowner, cargo owner, or final consumer. His contention was that the proper person to bear the cost of indemnity was the final consumer of the goods imported, since it was not fair that the consumer of corn should pay for "ostrich feathers, nor the consumer of ostrich feathers for corn." He feared that under an indemnity it would "no longer be the loss of the consumer, or of the man who is interested in the goods—but . . . everybody's loss . . . So that it would be a transfer of the loss from the person who now (*i.e.*, under ordinary insurance) suffers it to the taxpayer at large," which he conceived to be a "very great and wanton injustice." He also feared that a gratuitous indemnity might impose an extra burden on the poor which had hitherto been borne by the consumer of the particular article. And he declared against any such scheme, saying that it would in effect "lump the £190,000,000 worth of food together with the £146,000,000 worth of raw material, and the £191,000,000 worth of luxuries and other articles not of prime necessity, and then clap upon the taxpayer the cost of all that may be captured." Bowles, q. 102 Bowles, q. 116 Bowles, q. 113

133. It is true that some of the witnesses thought a distinction might be made between necessaries, or at any rate articles of general utility, and luxuries, and that the guarantee should be confined to the former. But the majority, even when of opinion that such a distinction was theoretically justified, held that it would in practice be found unworkable and would not in any case be worth the trouble and difficulty which it would cause. Bowles, q. 84 Boulton, q. 155 Jones, q. 256 Balfour, q. 18 Bolton, q. 2785 Miller, q. 3380 Hill, q. 3663 McArthur, qs. 4489–91 Strachey, q. 49

134. Mr. Nugent called attention to a somewhat different aspect of the same question and from another standpoint was equally of opinion that losses in war time would be better distributed among the people who insure the risks than they would be through the agency of the Imperial Exchequer, his feeling being that "the issue of Government stock has a greater effect in depressing all existing securities than the sales of moderate amounts by bankers and others." He pointed to the comparative ease with which the losses due to the San Francisco earthquake were met, and said that the disturbance would have been far greater if it had been necessary for Government suddenly to raise the same amount from the market.

Nugent, q. 3610

Nugent, q. 3568

135. It must be admitted that a National Indemnity would transfer to the taxpayers at large a liability which is now borne by the individuals immediately concerned, subject to their power of subsequently distributing their losses among the general body of consumers through the medium of enhanced freights and prices. The general community, who under any scheme of indemnity would thus directly bear the losses incurred by shipowners, merchants and underwriters, would, on the other hand, have no direct share in the increased profits which successful ventures would secure, and which are the natural compensation for increased risks. They would have only the most shadowy control, through the Admiralty, over the nature of the ventures which might be undertaken and the extent and character of the risks run. And they would themselves be in many cases great losers by the fall in securities, the disturbance of the money and labour markets, etc., which would be the inevitable accompaniment of a great war.

136. Nothing but the clearest national advantage could justify such a transfer of individual liabilities to the community at large. How far such advantage can, in our opinion, be said to exist has already been discussed, and our conclusions have been indicated in Part I. of this Report. They are further and finally dealt with in the summary with which the Report concludes.

The Effect of a National Indemnity upon the Reputed Ownership of Goods.

137. It was argued before us that one of the immediate effects of a scheme of National Indemnity would be to transfer the apparent ownership of all goods shipped in British bottoms to British nationality, and that the cost of an Indemnity would thereby be unwarrantably increased.

138. In Lord Balfour's opinion the question of ownership under an Indemnity was an important and complicated point. He said that the ownership of goods consigned to a British merchant was probably British, and, therefore, being the property of a belligerent, would be liable to capture by the enemy. On the other hand, goods in the course of export were the property of the person to whom they were consigned, presumably a neutral, and therefore would not be liable to capture.

Balfour, q. 18

139. Others, however, held that a free indemnity would probably result in foreign cargoes being transferred to British ownership at their port of loading, instead of remaining under foreign ownership until they came to their port of landing.

Beck, q. 1270

140. On the other hand, Mr. Bolton was of opinion that a great blow would be dealt to the shipping trade if foreign-owned cargoes in British bottoms were not indemnified, and other witnesses concurred in the view that it would be necessary to extend the guarantee to foreign shippers, because they would not ship by British vessels if they were not covered. In commenting on the difficulty of determining ownership, Mr. Leverton Harris said that if goods in a foreign name on board a British vessel were found to be at a disadvantage as compared with British goods, "you would find that all the goods went automatically into a British name." He thought that the House of Commons would object to the indemnification of foreigners and would try to exclude them; but that it would be found "when the actual event occurred there would be no foreigners."

Bolton, q. 2679

Harris, q 683

Harris, q. 690

141. This transference in ownership was also urged as a strong argument against any scheme of indemnity. It was said that trade would be paralysed if any attempt

were made to go behind the endorsed documents which in commerce were accepted as the mark of ownership; but that if they were accepted, it might happen that the enemy would be subsidized. Thus, on the assumption of a war with Germany, Mr. Wright considered that it would be possible for a German house to instruct its branch in Argentina to ship grain in a British bottom to England, and to effect the insurance in the name of an English firm. The bills of lading would be handed to the English firm, who would pay for the cargo. The Germans might capture the ship, the loss would be duly collected, and the enemy would have the cargo as well as the payments in respect of its capital value. Wright, q. 2003

142. The evidence on this head appears to point to a real difficulty. We agree with Mr. Leverton Harris that if an attempt were made to distinguish between British and foreign owned goods in British bottoms, it would break down and all goods shipped in such vessels would appear in British names. Goods which if owned by neutrals would not be liable to capture might thus be transferred to British ownership before instead of after the sea risk, and might become good prize, thus lessening instead of increasing the security of supplies and placing an additional and unnecessary burden on British finance.

The Possible Effect of a Scheme of National Indemnity upon Prize Courts.

143. Mr. Bowles was the only witness who dealt directly with this point, but it is one that deserves serious consideration.

144. Under present circumstances, the neutral owner of a cargo unjustifiably condemned fights for restitution before the Prize Court of the captor, and uses whatever influence he can bring to bear on his own Government to support his claims. Under an indemnity or insurance by the State, owners or underwriters would have less inducement to urge their claims vigorously; they would know that the State would pay if the cargo were condemned, and they would naturally prefer to rely on the guarantee of the British Government rather than prosecute their claims, at considerable expense to themselves and with at best complete uncertainty as to the result, before the Prize Courts of the enemy. On the other hand these Prize Courts could not but be influenced by the knowledge that whenever such a cargo was condemned the loss fell not upon the neutral individual but directly on the enemy State and the temptation to decree wholesale condemnations would be very great. Bowles, q. 122–3 Beck, q. 1273

145. Though not by itself conclusive of the whole question, this appears to us to be, as far as it goes, a valid objection to any scheme that can be devised. We are of opinion that the existence of an indemnity must tend to lessen the incentive to neutral owners of property captured in British ships to seek recovery through the enemy's courts, and would to that extent increase, without any compensating advantage, the charges on the National Exchequer.

The Need for, and Effect of Admiralty Control.

146. The necessity for vesting in the Admiralty a general control of the movements of shipping under any scheme of State Guarantee was generally admitted, and we refer below to some special points to which our attention was directed. Jones, q. 386 Brightman, q. 3187 Miller, q. 3506 Hill, q. 3668 Jeans, q. 4172 Mitcalfe, q. 4341

147. In Lord Balfour's opinion the control of the Admiralty ought to be made very stringent, and compliance with its instructions should be made a condition of indemnity. Balfour, q. 23–4

148. Sir Robert Giffen said that Admiralty directions would have to be followed exactly, and could not conceive of any working scheme in which the shipowner would be at liberty to do as he liked. But he admitted that there would be many difficulties in the maintenance of a satisfactory control, and was inclined to think that indemnity should not be given on routes such as the voyages between Dover and Calais, Liverpool and Belfast, or the Red Sea, or the Mediterranean, in which there could be no medium between absolute safety at one time, and practical certainty of capture at another. Giffen, q. 3100 Giffen, q. 3040–1 Giffen, q. 3033.

Harris, q. 554
Beck, q. 1395

Similarly Mr. Leverton Harris thought that the State should refuse liability altogether in particularly dangerous areas, and Mr. Beck added that the Admiralty should have the right not only to control, but to insist on the abandonment of a voyage at any given point.

Bowles, q. 136
Lemon, q. 1056
Sutherland, q. 4260
Mc Arthur, q. 4580

149. On the other hand, it was urged that the complications and exigencies of modern trade were such that it would be impossible for the mercantile marine to submit to Admiralty regulations; that control of this kind might even endanger the safety of ships by depriving shipowners of their initiative; and finally that the stipulations of the Admiralty might be so irksome as to render any State scheme nugatory. Mr. McArthur pointed out that if control were stringent, the rates charged on marine risks would be increased, because there would be a possibility of the Admiralty giving orders for vessels to go out of the ordinary course of navigation or to put into an unusual port of call.

150. In our opinion it would be impossible for the State to accept the obligations of a National Guarantee without insisting that all vessels enjoying the Guarantee must submit to such restrictions and directions as the Board of Admiralty might from time to time prescribe. No doubt these directions and restrictions would be made as little onerous as possible, and in many cases, though not in all, would amount to little more than the advice which the Admiralty would tender, and shipowners would gladly follow, if no guarantee were in existence. But they would inevitably involve considerable interference with the ordinary channels of trade, and their obligatory character would almost certainly be resented. Their wisdom and necessity must necessarily be matter of opinion at the time they are issued, and experience might sometimes show them to have been ill-advised; whilst the fact that the State Guarantee was dependent on exact obedience to them might destroy the initiative and enterprise of captains and masters of vessels in sudden emergencies just as the certainty of indemnity might tend to weaken the existing inducements to use every effort to escape capture.

The Danger of Fraud.

Bowles, qs. 145, 147

151. The danger of fraud was brought before us on many occasions. There is no absolute security against fraud under the present method of insurance, but many witnesses expressed the fear that if the State were to undertake responsibility for losses, the proportion of captures and losses would be largely increased.

Beck, q. 1266
Bowles, q. 102
Beck, q. 1238
Bowles, q. 100

152. It was alleged that one of the lessons learnt by underwriters during the Russo-Japanese war was that capture by the enemy would be looked upon as a very useful market by owners, and must be guarded against. It was said that if a shipowner wanted to be sure of "making a good thing," the only certainty of it was to incur a total loss; and one witness stated that, in his opinion, an indemnity would act as a stimulus to shipowners "not in the pursuit of carriage, but in the pursuit of captors for their ships."

Bowles q. 135

153. The same witness feared that an indemnity, "like the rain, would fall equally upon the just and the unjust—upon the wise and the foolish." He thought that such cases as that of the ship specially indemnified by the Spanish Government, which is alleged to have steamed straight into the enemy's arms at Santiago, would not be wholly unknown; and that "the proportion of losses by capture, when encouraged by a certainty of full compensation, would be greater than if there were no such certainty . . . The risk to the State would be unknown. It would certainly be very great—it might be tremendous."

154. Other instances, not necessarily of fraud, but illustrative of the difficulties which would arise, were brought to our notice. Thus we were told of an owner of high standing, who at the time of the Spanish-American war had three ships sailing under the Spanish flag to the West Indies. Two of the ships were obsolete, and one was modern. All three were insured at the same rate per cent. The two old ships were sent to sea and were captured, while the modern vessel was kept out of harm's way. Fraud was not alleged in this case, but the witness drew from his experience

the conclusion that the numbers of "prudent" shipowners would probably be augmented under an indemnity. Binning, q. 1805

155. Even those who were strongly in favour of a scheme admitted that the dangers were so great that the State would be cheated if any scheme were attempted without the aid of skilled underwriters, and that the admission of foreign cargoes carried by British ships would lend itself to fraud, because of the impracticability of any satisfactory control. Owen, q. 2370 Maclay, q. 4037

156. Mr. Estall, a banker, said that in his opinion there would be "a great deal of fraud, of course," under an indemnity, because everyone was apt to consider the Government "fair game"; that invoices might be loaded and that in the case of captured wheat it might have been "weevil wheat, or bad wheat, or no wheat. You might pay for wheat, or you might not. There would be a tremendous opening for fraud." He feared that even with expert assistance the Government would not be able to compete with the tried machinery of Lloyd's. Estall, q. 3855 Estall, q. 3872 Estall, q. 3856 Estall, qs. 3888–9

157. In defence of the present system it was urged that the payment of a substantial premium was a deterrent to the fraudulent, because an owner was unable to face the possibility of the safe arrival of worthless goods which he had insured at a fancy value. Others were of opinion, in spite of the admission that there are a "certain class of men" who, "when they are very well insured, are absolutely reckless as to what becomes of their property," that the danger of "bogus" cargoes was more imaginary than real, because the shipowner would have to be a party to the swindle to make any fraud effective. And one witness held that the Government would run even less risk than underwriters, because the Government would prosecute the fraudulent, whereas the custom among underwriters was to pay where there was any doubt, and to meet fraud by refusing to insure a second time. Wright, q. 1996 Boulton, q. 1519 Lemon, q. 1077 Boulton, q. 1601 Jeans, qs. 4189–90

158. Mr. McArthur admitted that the *bona fides* of owners would have to be generally accepted, but added that under any State scheme the fundamental principle of the law of insurance, viz., that fraud vitiates the guarantee, would certainly be maintained. McArthur, qs. 4521, 4546

159. The danger of the over valuation of both cargoes and ships, is more particularly discussed in paragraphs 173–195. It is sufficient to say here that "values" would require most careful investigation before acceptance. The difficulties to be expected may be illustrated by reference to the case of the recent Atlantic combination, to which Mr. Bowles drew our attention. In this case an aggregate of over a million tons of British shipping was acquired, and capitalised at £39,000,000. The ships were allowed to retain their character as British vessels, and would be capturable by an enemy at war with Great Britain. Mr. Bowles considered that the ships had in fact ceased to be British owned, and he regarded the £39,000,000 as a gross over-valuation; but he presumed that the Government would be expected to pay on this amount in the event of capture, and added that, if this were so, there would be great temptation to other neutrals to purchase our shipping, and keep it under the British flag; and added that "the very enemy subject might do it." Bowles, q. 120

160. It is difficult to resist the conclusion that fraud would be both easier and more lucrative under a scheme of National Guarantee than under the present system. The State would neither possess the knowledge nor could it exercise the discretion which are the chief safeguards of existing underwriters. The arbitrary decision by the State of disputed points would of course be contrary to the whole body of existing practice and custom, and would tend to shake confidence in the scheme as a whole. On the other hand to allow an appeal to the Courts in the case of all disputed valuations and suspected frauds would place the onus of proof upon the State, and it must we fear be admitted that the Treasury would not be "a popular litigant." At the same time it is difficult to see how the State could protect itself as an individual underwriter may do by refusing to entertain business introduced by anyone whose *bona fides* there is reason to suspect. Some further observations on this subject in connection with the Boards of Claims and the right of appeal will be found in paragraphs 196-205.

The Separation of Sea Risks and War Risks.

161. The argument here may be stated as follows:—It is said to be a general custom, though there are exceptions to the rule, to insure both sea risks and war risks with the same underwriters. It was agreed on all sides that it would be impossible for the State to undertake sea risks as well as war risks, and it was feared that if the State undertook the war risks, and the sea risks were left to the ordinary methods of insurance, there would be certain cases in which liability would be denied both by the State and the underwriters.

162. Where the shipowner has insured the two classes of risk with different underwriters, this difficulty already exists, but it was thought by some witnesses that the difficulty would be increased by any scheme of National guarantee. It was suggested that even though all marine risks were excluded from such a scheme, it would be very difficult in "a voyage policy on goods to know exactly what clauses to put in to cover" marine risk due to deviation by order of the Admiralty. Deviation within limits is allowed now under a marine policy if a special clause is inserted to this effect, and extra payment made. But deviation in time of war might mean a still greater addition to the marine premium, and would in effect amount to a war risk insurance. As typical of the difficulty which might be caused by deviation owing to Admiralty orders we were given the case of a ship sent "north about" owing to danger in the Channel, and wrecked in the Pentland Firth. This would be a sea risk, and not a war risk, but, on the other hand, the marine risk in question would never have been taken but for the exigencies of war.

Hill, q. 3690
Hill, q. 3692–3
Hill, q. 3696
Balfour, q. 23

163. Three other instances were brought before us by Mr. Lemon as suggesting special difficulties:—(1) *Missing vessels.* Who could know whether such vessels came under the capture clause, or under an ordinary sea peril? (2) *Wreck by explosion.* Who would know whether a ship had been wrecked by ordinary explosion (a sea risk) or by a shot from the enemy (a war risk)? (3) *Vessels lost after capture.* Under which policy would a vessel that was seized as a prize and then lost by a sea peril be covered? The possibility of the destruction of vessels by marine mines might raise questions of even greater difficulty.

Lemon, qs. 1022, 1028

164. On the other hand we were told that the separation of sea and war risks was practicable, that it was common practice to separate them, and that the risk of falling between two stools though possible was small. Mr. Boulton explained that in time of peace it was the usual practice to take sea risks and war risks on the same policy, but that in time of war underwriters were sharply divided into two classes, viz., those who were willing to take war risks, and those who were unwilling to take them. He thought that questions under which policy loss should fall were always liable to arise, but that the difficulties of settlement in such cases were very much exaggerated.

Beck, q. 1483
Owen, q. 2211
Miller, q. 3524
Boulton, q. 1635

165. Mr. McArthur, in our opinion, fairly summed up the conditions that would have to obtain under any scheme of State indemnity, when he quoted the legal maxim that governs all policies of insurance at the present time, viz., "causa proxima non remota spectatur." In his opinion the marine underwriter would be liable for aggravation of the marine risks caused by the existence of hostilities, and the Government would only be liable for the immediate and direct effect of hostile acts. He quoted previous decisions in the law courts to show his meaning. Thus, during the American Civil War the lights of the Hatteras Lighthouse were extinguished by the Confederates, and in consequence a vessel went ashore and was lost. It was held that this was a loss by perils of the sea, and not by a hostile act. Again, in the case of a vessel injured by a shot from the enemy, which yet escaped, but subsequently met a storm and sank, it was held to be a loss by perils of the sea, even though the shot might have contributed to the foundering of the vessel. He admitted that where questions of fact were in doubt, decision would have to be made by arbitration.

McArthur, q. 4507
McArthur, q. 4555
McArthur, q 4556–7
McArthur, q. 4557*

166. In our opinion it cannot be denied that the division of sea risks and war risks under a scheme of National insurance or National indemnity would occasion some risk of dispute and difference of opinion. And we admit that the position of a

Balfour, q. 63

person insured against marine risk by a private company, and against war risk by the State, might be less good than the position of one who was covered for both risks by the same policy. But we think that this difficulty may easily be exaggerated, and that if on other grounds a National scheme were thought desirable, it would not be insuperable. The additional marine premium that would be charged owing to the aggravation of marine risks would probably not be a serious matter, and the extent of the State's liability would seem to be sufficiently defined by the interesting statement of recorded cases supplied to us by Mr. McArthur in the course of his evidence.

Lemon, q. 1020

McArthur, q. 4543

Difficulties of Administration.

167. What has been said in the preceding section is sufficient to indicate the great importance which attaches to the question of values and the method by which they are to be ascertained for the purposes of any National Guarantee. Indeed, the practicability of any scheme may be said to hinge largely on the solution of this question, for it is here that we are brought directly in contact with the administrative difficulties which beset the proposal in any form, and with the machinery required for its execution.

168. In the ordinary course of business the value on which compensation is to be paid is a value agreed beforehand between insurer and insured. The amount at risk and all the conditions of the venture are known and declared in the policy, and the terms of the policy itself have been the subject of frequent decisions of the Courts until their meaning is very accurately and exactly known to all the parties interested.

169. The daily work of issuing such policies is carried on by large numbers of companies and individuals with representatives at every port. Some idea of the amount of work involved may be gathered from the statement of an underwriter that in peace time from 50,000 to 100,000 policies are issued every day in London alone. It is obviously impossible, even if we take the lower figure, that a Government office without previous experience, with at best only the skeleton of an organisation in time of peace hastily expanded under great pressure when war became imminent, should attempt to issue individual policies for each risk guaranteed and to cope with the gigantic burden of work, much of it of a very technical character, of which the 50,000 or more daily policies of London are only a fraction.

Boulton, q. 1655

170. Lord Balfour of Burleigh did indeed offer it as his opinion that there would be no difficulty in "ordering the shipowner who wishes to join in the advantages of it (an indemnity scheme) to take out from the Government Department concerned what would correspond to a policy in the case of ordinary marine insurance; and, in doing it, he might be required to hand in all necessary papers to establish the value of his ship." But he does not appear to have had present to his mind when giving this answer the case of cargo, and it was not put to him. We think he underrated the difficulty in the case of ships, but the difficulty becomes an impossibility when any attempt is made to extend his plan to the innumerably greater number of cases which would arise in connection with cargo.

Balfour q. 25

171. Is it possible then to devise any plan which would render unnecessary the issue of policies or certificates by the State? In other words, can values be determined after loss has been incurred with sufficient accuracy to enable the State to dispense with any preliminary agreement or document and to concern itself only with that small proportion of the total number of ventures in which loss was proved to have been incurred by the risks and perils of war? And if the State can be so safeguarded, would the resulting arrangement give satisfaction to the commercial world and suffice to enable commerce to proceed uninterruptedly in its usual course?

172. It is to these questions that we now propose to address ourselves. Their importance, which had been evident to us from the first, appeared to increase rather than to diminish as our enquiry proceeded. Much of the evidence deals with them, but here, as elsewhere, it unfortunately revealed considerable difference of opinion among those most competent to form a judgment.

Values.

173. We take first the question of the determination of values. In our draft scheme "A" we had contemplated that a simple notification of intended sailing should be the only preliminary formality, and compliance with the Admiralty directions the only condition for the admission of a British ship and British cargo to the benefits of the indemnity. Values were to be determined only after a loss had occurred, and were to be :—

(*a*) The value of the ship at the time of capture ;

(*b*) The value of the cargo at the port of shipment plus insurance and freight to port of destination.

174. In reviewing the evidence it will be convenient to deal first with ships, and afterwards with cargoes.

175. As to (*a*) (*i.e.*, the valuation of ships)—

176. The principal points raised were the basis on which values should be estimated and the persons to whom the valuation should be entrusted. There was much difference of opinion with regard to the basis to be taken, and the views of witnesses on this point and on the difficulties in the way of a settlement that should be acceptable both to the State and to the possible beneficiaries under a scheme of indemnity are therefore stated with special fulness. Thus, Mr. Leverton Harris considered that the question of a valuation that would be fair to the State, to the shipowner, and to the cargo-owner, in case of loss, was the greatest difficulty involved in any scheme of National indemnity. It would be greater than that of fixing values for insurance purposes, because in an indemnity the State gave something without payment, whereas for the ordinary purposes of marine insurance the assured value of the ship was a matter of arrangement between the underwriter and the shipowner. In his opinion the value for which a vessel is ordinarily insured for marine risks would be no indication of the vessel's real value, since it was often "50 per cent." higher, and might be much lower. He said that the practice in peace time was for the shipowner to declare a low value in order to pay as little as possible in premium, whereas the underwriter encouraged over-statement of value up to the point at which "moral hazard" was reached in order to gain on the sum total paid as premium. He cited the case of a shipowner owning sister steamers, one of which had been very fortunate, and the other very unfortunate in her trading. The fortunate vessel would have had large sums written off her value, and might be insured for the comparatively small sum of £20,000, while the other would not have been written down, and might have been insured for £40,000, in order that the capital of the company should be kept intact in case of loss. Supposing that indemnity was paid on marine insurances, and both these vessels were captured, one would be able to claim only £20,000, while the other obtained £40,000, a difference which would lead to great complaints.

Harris, q. 536
Harris, q. 537
Harris, q. 654
Harris, q. 655
Gow, q. 2467
Harris, q. 537

177. Mr. Harris thought that the value to be taken should be the value at the commencement of war, and should be fixed before the sailing of the vessel in order that mortgagees should know how much they would receive in case of loss. He explained that mortgagees lend money on the value of the vessel and do not take trading risks, and might refuse to allow a vessel to sail unless they knew the extent to which they would be indemnified in case of loss.

Harris, q. 665
Harris, q. 677

178. With regard to valuation for the purposes of the State, Mr. Harris thought that there would be no difficulty in obtaining expert opinion from those whose business it was to sell or value steamers, which would be within 10 per cent. of the real value. He gave a week or two as the time required for making the necessary arrangements, but added that "in nine cases out of ten" this would not hinder business. He would have offices established for the purpose in London, Liverpool, Newcastle, and other places.

Harris, q. 656
Harris, qs. 670–1
Harris, q. 668

179. At least three of the underwriters who were examined were with Mr. Harris in thinking that the values insured against marine risks were an unsafe basis for payments under a State indemnity ; Mr. Boulton holding that if an owner wished to

Beck, q. 1314
Boulton, q. 1637

have his ship captured for the sake of indemnity he would increase the value insured against sea risk "to any extent," unchecked by the underwriters, who would know that this risk was of the slightest, and would profit by the premiums paid. In this way he might insure for many times the real value by paying a few shillings per cent. for the marine insurance on the chance of being given a war indemnity at the same figure. Owen, qs. 2383-4. Boulton, q. 1637

180. Others, of whom two were underwriters, thought that values for marine risks might safely be accepted, though it was suggested that a committee should be appointed to review and consider the values declared in case they should be excessive. Roberts, q. 966 Lemon, q. 1163 Brightman, qs. 3195–6

181. Mr. Lemon and Mr. McArthur feared that the question of values would lead to much contention, since shipowners who had suffered loss would say that it was not the money so much as their ships that they wanted, and would complain if they were not very fully indemnified; though in Mr. McArthur's opinion a committee or board would find no difficulty in fixing a fair value to be placed on a ship after hearing evidence. Mr. McArthur added, however, "whether that would satisfy the person guaranteed is quite another matter. My experience rather goes to show that it would not." Mitcalfe, q. 4354 Lemon q. 1061 McArthur, q. 4518 Lemon, q. 1065 McArthur, q. 4518

182. Mr. Owen contended that a shipowner should be entitled to more than he would obtain if his ship was sold, since the mere fact of the ship's loss involved him in other incidental losses. Thus he could not at once replace his lost ship, he would have to have one built, and meanwhile he would be without the earning power of the vessel. Owen, q. 2251

183. Mr. Bolton insisted that the basis of value should be settled in advance, and saw no serious difficulty in defining it. He said that shipowners would be satisfied with any reasonable basis if stated before the scheme came into operation. Shipping might be taken at the original cost to the existing owner, less a certain percentage per annum for depreciation calculated on the original cost of the ship. He thought that no transfer to fresh ownership within a given time previous to the outbreak of war should be recognised, so that excess values occasioned by the prospect of war should be avoided. Bolton, Appendix and q. 2737

184. Mr. Miller said that the Government should insist on an annual declaration of values from shipowners, with the object of preventing inflated values after war had broken out; though he admitted that it would not work fairly in every case. "You may have an old steamer which is written down in the books of the firm who own her to about as low a value as they can possibly write her, still she has a market value of some description, and if you sold her you might get a few thousand pounds for her in excess of the book price." In his opinion the scheme most acceptable to shipowners would be that which fixed the value when the ship was captured. Miller, qs. 3522, 3539 Miller, q. 3518 Miller, q. 3548

185. Mr. Maclay, a shipowner, said that "it would be the greatest mistake possible" to trouble at all about the value until the ship was lost. Maclay, q. 4072

186. Others favoured Mr. Bolton's suggestion of valuation at cost price, less depreciation at a fixed rate per annum, Mr. Hill saying that the advantage of taking cost as compared with value lay in the fact that it was capable of exact proof, whereas "value" must always be a matter of opinion. He thought that owners would not be entitled to consider themselves badly treated if compensation was based on the cost, less depreciation at 5 per cent. per annum, since few ships ran for more than twenty years; at the same time, he would leave them a certain latitude for covering any additional values at their own expense. Hill, q. 3704 Gow, q. 2586 Hill, q. 3707

187. But it must be admitted that values fixed on depreciation would be only a rough test, since a ship may be worth more than she has cost a few years after building, and, on the other hand, she may be worth only half her original cost. It was thought indeed that shipowners would not submit to such a condition; and again in time of war the market value of individual ships may rise considerably. Mitcalfe, q. 4442 Binning, q. 1820 Roberts, q. 890 Gow, q. 2447

188. Mr. Gow in order to overcome the difficulty of defining insured value for the

purpose of assessment after loss, said that the proper insured value to take was the insured value of the ship as defined by the Marine Insurance Act of 1906, rather than the value of the ship at time of capture. The object of the clause in this Act was to fix the value in case no value was agreed in the policy. It runs as follows: "In insurance on ship the insurable value is the value, at the commencement of the risk, of the ship, including her outfit, provisions and stores for the officers and crew, money advanced for seamen's wages, and other disbursements (if any) incurred to make the ship fit for the voyage or adventure contemplated by the policy, plus the charges of insurance upon the whole. The insurable value in the case of a steamship includes also the machinery, boilers, and coals and engine stores, if owned by the assured, and, in the case of a ship engaged in a special trade, the ordinary fittings requisite for that trade." Mr. Gow, however, admitted that considerable difficulty was experienced in arriving at the value under this clause.

Gow, qs. 2506–9

Gow, q 2512.

189. As to (*b*) (*i.e.*, the valuation of cargoes):—

Harris qs. 540, 1 Roberts, q. 890 Beck, q. 1312 McArthur, q. 4520

The valuation of cargoes was declared by several of the witnesses to be a more simple matter, since in all the great cargo trades prices are regulated by everyday quotations, and the invoices of purchase, and other shipping documents would be available.

190. The difficulties to be contended with appear to be:—(1) inflation of values, since, as one witness pointed out, "in these days of cables it would be known perfectly well" what the position was over here, and a very high value would be put on cargoes that were likely to be in danger of being captured; (2) the amount of departmental work that would be entailed in examining claims and making payments to the various distinct interests in any cargo; and (3) the question whether or no a reasonable profit should be allowed for in the indemnity.

Binning, q. 1870

Boulton, qs. 1528, 1532 Lemon, q. 1094 Boulton, q 1604

191. In the case of cargo it appears to be a very general practice to take the value at invoice cost, plus the freight and 10 per cent.; and Mr. Boulton thought that the "arrived" value, *i.e.*, the value with profit attached, should not be entitled to compensation, so that an owner should have an extra incentive to insure the arrival. He explained that an owner would expect to obtain, say, 100 per cent. profit provided the cargo arrived, whereas if it were lost he would only have 10 per cent.

Brightman, q. 3209 Hill, q. 3704 Harris, q. 542 Maclay, q. 4070 McArthur, q. 4522

192. In the opinion of Mr. Brightman and others it would be reasonable to take the value at the port of shipment, plus insurance and freight to port of destination, as the basis of value, and it was suggested that the amount paid for freight should be the freight at the shipowner's risk at the time of loss, minus the cost of earning it from that time.

193. Mr. Gow thought that this section might be made clearer by substituting after the word "shipment" the words "plus ordinary free of capture and seizure insurance" (*i.e.*, ordinary marine insurance) "and freight to port of destination so far as prepaid."

Gow, q. 2514

194. We think it results from the evidence that no simple rule of thumb is available for calculating ships' values. To take the prime cost of the ship less a fixed annual charge for depreciation would not be fair either to the State or the owner. For the reasons already given it would be equally unsafe to trust to the values declared for marine risks, and in any case this test would not be available in the case of companies and firms which are their own insurers. We have already expressed our conviction that to issue a policy in advance in each individual case for an agreed value is a physical impossibility, and we are driven to the conclusion that the only feasible plan is that foreshadowed in Scheme A—namely, to define as accurately as may be the basis on which values are to be calculated, and to leave the application of these general rules in particular cases to be settled by an expert board or boards sitting in the principal ports, to whom would be entrusted the duty of deciding on the amount payable wherever a loss had been incurred.

195. How far it would be possible to constitute such boards efficiently is a difficult question to decide. They must be composed wholly or mainly of experts accustomed

to the business of marine insurance, and familiar with all its technicalities. Whether it would be possible to withdraw a sufficient number of such men from their ordinary business at a time when that business was necessarily peculiarly exacting and anxious is a question on which the opinions of witnesses differed. Probably a satisfactory arrangement could be made, especially if a retaining fee were offered in peace time to those whose services it was desired to secure in war. But it must be admitted that such a system would differ fundamentally from the whole custom of marine insurance as hitherto practised; that it would be foreign to the habits and traditions of all concerned in it; that it would introduce an element of uncertainty into a transaction, the main object of which has been to eliminate risk, and would thus, to some extent at least, frustrate the very purpose of the guarantee. We think that if the experiment were made it would give rise at first, at any rate, to much grumbling and dissatisfaction. It might, however, be accepted by shipowners and merchants if no contribution were expected from them in return, and if they were left free to supplement it by such other private arrangements as they thought fit. But we believe that any attempt to render it compulsory, to prevent other war insurances supplementary to it and to levy a contribution to the cost from the assured, would be certain to arouse great opposition, and would not be supported by the majority of those interested.

Settlement of Claims.

196. It may be advisable to deal rather more fully with the question of the Tribunal which would have to be appointed to adjudicate upon claims.

197. We had originally contemplated a single small board, composed almost entirely of experts and sitting in London. We suggested that their decision should be final. But this proposal did not meet with entire approval from the witnesses.

198. In Mr. Owen's opinion the Board of Claims should consist of nine underwriting experts and three trustees of the "National War Indemnity Fund"—which Mr. Owen proposed to raise by enforced contributions from ship and cargo owners in time of peace. He thought that on principle the board should be formed as nearly as possible on the lines of a marine insurance company, so that merchants might feel confidence in it, and that in practice a board of this kind would be found to be less liberal in dealing with other people's money than with their own, because their individual reputations for generous dealing would not be at stake. Owen, App. Owen, qs. 2158–62

199. Mr. Beck recommended the employment of average adjusters, and Mr. Bolton advised a majority of underwriters because "they are about the only people who would understand the work that would come before them." In Mr. Bolton's opinion twelve responsible men might be chosen, of whom two would give one day each week by arrangement among themselves. He thought that a number of men was not required for the settlement of claims, and that with the addition of a representative of the Government, making three in all for ordinary meetings, with an occasional meeting of a fuller board to settle cases of special difficulty, the work required would be satisfactorily accomplished. Beck, q. 1245 Bolton, q. 2744 Bolton, q. 2745

200. On the other hand, Mr. Mitcalfe, who has had exceptional experience in dealing with claims in connection with the North of England Indemnity Association, thought that the work involved would be very heavy, and added, "You have nothing to teach a merchant as to making claims." Others spoke equally strongly with regard to the amount of work entailed, and the establishment of Boards of Claims in Liverpool, Glasgow, Newcastle and London was recommended. Mitcalfe, q. 4386 McArthur, q. 4516 Boulton, q. 1655 Jeans, qs. 4177, 8 Hill, q. 3708

201. Opinions were divided as to whether or not appeals from the decision of the board as to the validity and the amount of claims should be allowed, it being held on the one hand, that they should be forbidden, since the decisions would be arrived at on the best expert knowledge available, and that no better tribunal could be found; and, on the other, that it would not be satisfactory to the mercantile community if the prescribed department, or the boards appointed under it, were enabled to give a decision against which there was no appeal. Miller, q. 3446 Brightman, qs. 3207, 3303 Maclay, q. 4076 Wright, q. 2018 Owen, q. 2158 Bolton, q. 2753 Hill, q. 3709 McArthur, q. 453 Strachey, q. 493

202. Mr. Bolton said that unless an appeal was allowed both to the assured and the Government the banks, upon whom the greater part of the business of shipowners and merchants depended, would look askance at the policies brought to them. If there were no appeal it might happen that both the State and the marine underwriter would deny liability in the event of loss, and no bank would consider a document satisfactory under which this was possible. Mr. Hill found a further objection in the fact that the hands of the board would be tied as to the manner of investigating claims if they were placed in the position of arbitrators.

Bolton, qs. 2748–50, 2753
Hill, q. 3709

203. It is, we think, clear that a single tribunal sitting in London would not meet the necessities of the case and the requirements of claimants. The need for prompt settlement of claims was recognised and enforced on all hands, but where the values, &c., have not been agreed upon and a policy issued beforehand this involves proof of British register and of compliance with the Admiralty regulations, proof that the loss was due to a war risk and not to any ordinary peril of the sea, and examination and assessment of value in the case of each separate interest. A single board would be overwhelmed by the task and it would be necessary to constitute similar boards in all the principal sea ports.

204. But to correlate and bring into harmony the possibly conflicting decisions of these local tribunals an appeal would have to be allowed to some central authority whose decisions would be binding on them all. While to meet the case put by Mr. Bolton and to give such security as would be required by bankers and others it would seem necessary that that appeal should go directly or ultimately to the Law Courts.

205. It will be seen that a very formidable and not inexpensive machinery would have to be created for the administration of the scheme. We doubt whether it would be possible for the State to organise successfully on the outbreak of war the large staff which would be required.

Position of Bankers, Bill-Brokers, Discounters, &c.

206. But assuming proper tribunals could be constituted and that the security as above defined were sufficient to satisfy shipowners and merchants, there still remain other interests, and those most important ones, to be considered.

207. By far the greatest part—it might almost be said the whole—of the cargoes coming to this country, are financed in transit by bankers, bill-brokers, or discount houses, who advance a greater or less proportion of the value against bills with shipping documents attached. These documents include the ordinary policy of insurance against marine risks, and in time of war would naturally embrace an insurance against war risks also. The question, therefore, arises how far would a general guarantee of the kind indicated above, which bore no reference to the particular consignment and guaranteed no definite value, be acceptable to and accepted by this very important factor in British trade as now organised.

208. On this point the witnesses chiefly interested were unusually unanimous, and the need for some form of policy was insisted on, since policies are invariably used as securities for raising money, and it would be necessary to see that bankers were properly protected. We were assured that bankers and discount houses would require to know that a certain value of ship and cargo had been accepted under the indemnity before negotiating advances; and in each case there would have to be some transaction, as regards the particular ship and particular cargo between the Government and the persons concerned. Mr. Estall even put in a claim for a "practically unconditional policy," saying, the greater the difficulties, the less the value of the guarantee, and the greater the restriction on trade, and that bankers would require to be informed of the tenour of Admiralty instructions before advancing money, since it was conceivable that the instructions given would be so stringent as to prohibit the transaction of business.

Beck, q. 1317
Nugent, qs. 3595–3596
Estall, q. 3852
Jeans, q. 4176
Toomey, q. 4654
Estall, qs. 3924, 3849, 3850

209. Mr. Jeans, speaking with special reference to the Australian trade, said that it was the custom for the insurance on cargoes to be paid for by the consignee, and

that under an indemnity the consignee would expect to receive a document showing that his interests had been covered by acceptance of the State's conditions. In his opinion each venture, and each interest in the venture, would require the Government to issue a separate certificate, which would be a difficult business, and require a very large staff. He feared that there would be an enormous amount of labour entailed in issuing policies, and that Government would find a difficulty in obtaining the services of competent men to take up what must be but temporary employment. Jeans, q. 4173 Jeans, qs. 4176–8 Jeans, qs. 4239–40

210. We think it is evident from the above that under existing circumstances, and the customs which now prevail, no scheme of indemnity or insurance unaccompanied with provision for the issue by the State of a policy guaranteeing a specified value in the case of each consignment would meet the requirements of trade. We have already called attention to the apparently insuperable difficulties in the way of the fulfilment of this condition owing to the magnitude of the task and the enormous staff which it would entail. On the other hand, it is possible that if a scheme of indemnity commended itself to the public on general grounds, means might be found for overcoming the difficulties in question.

Part IV.

Summary of Conclusions.

211. Having finished our survey of the evidence, and having passed in review the principal points which arose in the course of our inquiry, we are now in a position to summarise the conclusions at which we have arrived. We have already stated (paragraph 16) that the evidence on almost every point was of a most conflicting character. From the nature of the inquiry committed to us this was inevitable. Material for forming a conclusive judgment is not available, and the major portion of the evidence given by witnesses dealt necessarily with matters of opinion on which others equally competent might, and often did, express diametrically contrary views. We recognise that in the mass of evidence given before our Committee, or recorded in the Blue Books of the Royal Commission on Food Supplies, there is much which would support a different conclusion from that at which we have arrived; but, after giving full weight to these diverse opinions, we are of opinion that it is not desirable that the State should undertake to make good to shipowners or traders the losses incurred by them through the capture of shipping by the enemy in time of war.

212. The advocates of such a proposal argue that in the absence of a National Guarantee the shipping industry and oversea trade of the United Kingdom will be thrown into confusion on the outbreak of naval war between this country and any other great naval Power; that shipping will be laid up or transferred to neutral flags; that insurance against war risks will be impossible, or possible only at prohibitive rates; and, consequently, that the prices of food stuffs and raw materials will rise to such an extent as seriously to affect the national life; whilst the strategic dispositions of the Admiralty will be hampered and perhaps over-ridden by the clamour of public opinion alarmed at the interruption of our trade, and inflamed by the scenes of distress to which that interruption would give rise.

213. In our opinion these apprehensions and the efficacy of the suggested remedy are exaggerated. We think, for the reasons already given, that, assuming the maintenance of an adequate naval force (17a and 82–90), there is little danger of British shipping being laid up on any large scale at any rate for any long period (48–a). There is more likelihood of transfers to a neutral flag being attempted, but when due allowance is made for the difficulties of the operation and for the uncertainty surrounding the question of contraband and the consequent insecurity of neutral ships and their cargoes, it seems improbable that they will affect any considerable proportion of the mercantile marine (48 b–d).

214. Some loss must, however, be expected under each of these heads, and in so far as it takes the form of transfer, it might be permanent and attended with some loss of trade (48–e).

215. As regards the ordinary facilities for insurance it does not appear that there was ever real difficulty in securing a quotation in the past, and though it seems to be supposed in some quarters that rates have often been fixed too high, and that underwriters have been accustomed to make unduly large profits out of them, the evidence we have collected does not bear out this view. Nor has it been proved that in future wars the market would be so restricted or the rates so prohibitive as to necessitate interference by the State (56 and 63–64). It is impossible to give any estimate of what the rates are likely to be in any future war in which we may be engaged, or to state with any approach to exactness what the extent of the facilities would be. They will vary with the circumstances and the episodes of the particular struggle. That the rates will be sometimes high enough to handicap seriously particular trades must, we think, be admitted as probable. This will almost certainly produce some increase in the cost both of living and of manufacture, which may even at times be serious.

216. But it is obvious that any National Guarantee for losses offers a very imperfect remedy for this particular evil. Such a guarantee would tend to prevent shipowners from laying up or transferring their ships, but could not of itself secure the safe arrival of ships and cargoes. This is the work of the Navy, and the Navy alone, and it is important that nothing should be allowed to obscure this vital portion of its duty (89-90). For prices, in so far as they are affected by sea risks, will in the main depend not upon the number of ships which put to sea, but on the proportion of voyages which are successfully completed. The fact that the merchant or the shipowner was compensated by the State for his loss would afford no relief to the nation which was deprived of its supplies. At best it could only relieve the consumer of that portion of the enhanced cost which represented the actual amount of the premiums otherwise payable ; but in our opinion this would be only one, and by no means the most important, of the factors controlling prices (70).

217. At this point, therefore, we reach the conclusion that the dangers to be apprehended from our present situation, and the advantages which could under any circumstances be secured by a National Guarantee, are neither of them so great as the advocates of such proposals have generally supposed. We admit, however, that these dangers do exist to some extent, and that a suitable scheme of National Guarantee, if such could be devised, would diminish, though it could not absolutely remove them.

218. Can, then, such a scheme be devised, and do the advantages which it is capable of conferring, outweigh the disadvantages which are inherent in any proposal of the kind ?

219. It will be seen from the preceding paragraphs of this Report, and from the Minutes of Evidence, that we have given no small portion of our time and attention to these two questions, for it is upon the answer which is made to them that the final decision upon the subject of our Inquiry must turn.

220. As it appeared to us (48 d and 95) that the war charges on neutrals would be not inconsiderable, and that the offer of a free indemnity would not merely prevent the owner of a British ship from being unduly handicapped in his competition with the neutral, but would actually place him in a better position than he occupies in time of peace, it was natural to prefer a contributory scheme if such could be devised. Several plans of this kind were suggested to us. They are examined at some length in paragraphs 96–127 of this Report ; but the conclusion to which we are forced is that they are none of them practicable, and that if a National Guarantee is to be given at all, it will be necessary that it should take the form of a free indemnity (128).

221. This is in itself undesirable, for, as already stated, it gives the guaranteed something more than on any view of the case he is entitled to claim ; but this objection is not in itself conclusive. If, however, the whole cost of the losses of ships and cargoes is to be transferred from the shoulders of the owners to those of the taxpayer, it becomes additionally important to form some idea what the extent of this burden would be. Unfortunately no materials exist for such a calculation. The various estimates laid before us started from widely different hypotheses, and differed

largely in amount. There is little to guide anyone desirous of making a choice among them, which at best can only be the result of a number of assumptions, any one of which may be disputed. We confine ourselves therefore to the statement of our opinion that though the proportion of losses may be small, the aggregate amount involved might be considerable. Spread over the vast volume of our mercantile marine it might form but a small percentage of the total, and might involve on the average only a moderate rate of insurance; but regarded as a sum which it would be necessary for the Chancellor of the Exchequer to provide from taxes or loans at a time of great financial stress, it would be a very formidable addition to the burdens of the taxpayer and the difficulties of the Treasury (129-30). Nor can we admit the validity of the plea urged by some of the witnesses that the total loss to the nation would in any case be the same, and that it would be more fairly distributed through taxation than if left to find its way to consumers through the ordinary channels of trade (131). It is difficult to apply this argument to the case of imported luxuries, such as diamonds or ostrich feathers; for it is obviously unfair to keep down the price of these for the benefit of the comparatively few wealthy people who purchase them at the expense of the whole body of taxpayers throughout the kingdom. Yet it was generally admitted that no distinction could be made in practice between luxuries and necessities. Both are important to the maintenance of our shipping, as affording freight, and both affect the interests of the labouring population, either as consumers or as workers. But there is another and a stronger objection to the transfer of these liabilities to the State. Shippers and shipowners have full control over their ventures; the taxpayer can at best exert but an indirect and imperfect supervision. Shipowners and merchants may make heavy losses, but they may also expect correspondingly high profits on successful ventures. If the transfer be allowed the losses will fall on the taxpayers at large, but the profits will be retained by individuals. Lastly, the taxpayers who would be thus called upon to make good the losses of individuals concerned in a particular form of trading would themselves be in many cases large sufferers from the same causes; but, as in their case the loss took a different form, they would receive no compensation (135–136).

222. To these objections must be added the effect of an indemnity in tending to cause the transfer of goods from foreign to British ownership before instead of after the voyage (137–142), thus increasing the amount of British property at risk; the influence which the knowledge of the existence of such an indemnity must almost inevitably exercise upon decisions in the Enemy's Prize Courts, by increasing their tendency to condemn and by weakening the inducement to neutral owners to prosecute vigorously their claims for release of their goods when seized in British ships (143–145); the difficulty of exercising the necessary Admiralty control over voyages, and its probable bad effect on the initiative and enterprise of masters of vessels (146–150); and the serious danger of fraudulent claims, against which the State would be unable adequately to protect itself (151–160).

223. No one of these objections is necessarily fatal by itself to the idea of a National Guarantee, but their cumulative effect is formidable. Taken together they outweigh, in our opinion, any possible advantages, limited as we believe these advantages to be, which might be derived from such a proposal. But if any doubt still remains as to the answer to be given to the question referred to us, we think it would be resolved by a consideration of the administrative difficulties inseparable from any scheme of National Guarantee which are discussed and developed in paragraphs 167 to 210 of this Report. The immense difficulties attendant on the determination of values, and on the settlement of claims are themselves a serious obstacle to the adoption of any scheme. The more closely they are examined, the more formidable do they appear, and we are unable to discern any solution of them which is not open to serious criticism and even to grave abuse

224. If the dangers by which our commerce and industry are threatened were as great as they appear to the advocates of such schemes, or if the remedy provided by a National Guarantee in any form were complete, it might perhaps be worth while to face the enormous administrative difficulties involved in the adoption of a scheme, to accept the risk or even the certainty of having to pay some fraudulent claims, and take the financial leap in the dark involved in accepting an unknown, but in any case

considerable, financial liability. But this course could only be justified if the case against inaction were overwhelming and the remedy certain and complete. In our opinion neither of these conditions holds good, and we are therefore unable to recommend the adoption of any form of National Guarantee against the war risks of shipping and maritime trade, except that which is provided by the maintenance of a powerful Navy.

225. We desire to record our obligations to our Secretary, Mr. George H. Duckworth, for the very valuable assistance which he has given us both during the progress of our inquiry and in the preparation of our Report.

(Signed) Austen Chamberlain, *Chairman.*
R. B. Finlay
Thomas Glen-Coats
Jas. L. Mackay
G. H. Murray
H. Llewellyn Smith
C. L. Ottley*
Edward Beauchamp
Henry N. Gladstone
Fred. Huth Jackson
Arthur Lindley
George H. Duckworth, *Secretary.*

*RESERVATION BY SIR CHARLES OTTLEY.

I have signed this Report and share the opinion of my colleagues, on the one hand, that the difficulties in the way of State action have been found to be more considerable than had been anticipated, and, on the other, that amongst the important classes more immediately interested there does not at present exist any such clear-cut and universal demand for a national guarantee of war risks of shipping as would, in view of these difficulties, justify State intervention.

The only point on which I wish to enter a Reservation is this: I think it would be very regrettable if our inability to recommend State action to-day should come to be regarded as definitive proof of the uselessness and impracticability under any circumstances in the future of any scheme of National Guarantee.

I regret that owing to absence at the Hague Conference I did not have an opportunity of putting questions to certain of the later witnesses, and in consequence I am sensible that I have not had quite the same opportunities as the rest of the Committee in forming an opinion. But a careful study of the evidence leaves me in full agreement with Sir George Clarke that "many of our witnesses were evidently unprepared by any previous study of a somewhat difficult subject."

In any case our Committee will not have laboured in vain if its Report serves to attract public attention to a matter which is of some moment from the point of view of national interests.

C. L. O.

24/3/08.

* Subject to reservation.

MEMORANDUM BY SIR GEORGE CLARKE.

As I shall unfortunately be unable to take part in the discussion of the Report, I trust that my views, as explained in the following notes, may be recorded in an appendix.

1. The measure of risk to our Mercantile Marine in war depends on the losses which an enemy could inflict. Unless British shipping is laid up, the only possible restraints upon these losses must be sought in :—

(*a*) Direct naval action applied to control the movements of hostile warships, and

(*b*) Organized arrangements for the transmission of information in order that shipping may obtain the maximum amount of protection from the naval dispositions at any given time.

The relative risks of individual ships will evidently depend to some extent upon their speeds, but this cannot affect the above general propositions.

2. Whether the movement of the Mercantile Marine in war can be maintained to the extent necessary to secure the food supply of the people and to avert economic disaster, is therefore essentially a naval question. Only a sufficient and efficient Navy intelligently handled can guard these vital interests. Unless these conditions are fulfilled, any system of National Guarantee will be futile.

3. It is impossible to forecast with any approach to accuracy the probable loss in a war with any assigned Power or Powers; but history—our only guide—plainly shows that :—

(1) Our losses in war have never been large except when the Navy has been over-strained by great combinations of naval Powers.

(2) When the Navy has been distinctly superior to its antagonists the volume of British trade has increased during war.*

(3) Warfare against commerce has never been effective in the long run except when the battle fleet of one combatant has been defeated or kept under full control. The protection of commerce, therefore, depends ultimately upon the battle fleet.

4. It may be claimed that these historical lessons, being drawn from sailing days, are now valueless. It is my strong belief that, in modern naval and maritime conditions, it is easier to protect commerce than formerly, and such experience as is available appears to confirm this view. At least it may fairly be said that there is no reason to assume the contrary. I regard Captain Mahan's estimate of $2\frac{1}{2}$ per cent. loss of British shipping during the wars of the French Revolution and Empire as somewhat misleading; but his general contention that our losses were moderate appears to be beyond question.

5. Whatever may be regarded as a reasonably probable estimate of maritime losses in any hypothetical war, it is certain that, at the outset, the tendency would be towards wholesale exaggeration of the risks. For more than ninety years this country has had no experience of a war in which its commerce was endangered. There have been, however, plain indications that excessive estimates of risks would prevail, and having regard to the extreme complexity of modern trade, and the many interests dependent upon it, panic with far-reaching consequences might easily be engendered.

6. As has been pointed out (Paragraph 2), it is vital that the movement of British shipping should be maintained in war, and whatever estimate of captures may

* Notably in the case of the Seven Years' War and the wars of the French Revolution and Empire.

be adopted, the number of ships which will reach port safely must evidently depend upon the number that go to sea. The main question that presents itself for consideration is, therefore: Will the apprehension of loss be so great as to prevent ships from sailing in sufficient numbers to guarantee the minimum movement necessary to ensure our food supply and to avert economic disaster?

7. The only justification for any form of National Guarantee of the war risks of shipping and cargoes is the strong presumption that excessive or violently fluctuating insurance rates might have disastrous effects upon the shipping and mercantile interests, and through them upon the nation at large. Unless it is clear that such excess or fluctuation would :—

(*a*) Unduly check the movements of shipping.

(*b*) Cause the laying up of shipping on a large scale, or

(*c*) Lead to a considerable transfer to a foreign flag,

there can be no sufficient case for a National Guarantee.

8. We have little evidence to show that (*c*) is probable or possible on a large scale, and, in my opinion, this consideration may be dismissed.

9. As regards (*a*) and (*b*) the evidence is not altogether satisfactory, Many of our witnesses were evidently unprepared by any previous study of a somewhat difficult subject. It was, therefore, natural that they should have freely contradicted each other, and, in some cases, themselves. There is, however, a large majority of witnesses in favour of some form of State guarantee, and in certain cases emphatic opinions in this sense were forthcoming. Evidence given before the Royal Commission on Food Supply also tends to support the view that there is real danger of a serious check to the movement of shipping from the undue rise or fluctuation in insurance rates, from shrinkage or the closing of the war insurance market, or from a fall in underwriters' credit, which, by restricting bankers' advances upon policies, might cripple maritime enterprise.

10. Even upon such a point as the capacity of the insurance market to deal with war risks, there is a direct conflict of evidence. Thus Mr. Frederic Bolton (underwriter and insurance broker at Lloyd's) considers that the effect of losses would be to stop war insurance, and that the Government would eventually be forced to take action. (Qs. 2843 and 2765.) On the other hand, Mr. A. W. Roberts (underwriter and insurance broker at Lloyd's) holds that the market would be able to deal with war risks, and Mr. J. T. Binning (chairman of the Liverpool Underwriters' Association) believes that there is no danger of commerce being checked by reason of high insurance rates. (Q. 1944.) These are typical instances, among many, of the irreconcileable views of witnesses belonging to the same profession.

11. Having regard to the opinion of the majority of witnesses, to the strong support of the Royal Commission on Food Supply, to reasonable probability, to the representations of Chambers of Commerce, and to such actual experience as is available, I have come to the conclusion that State action is necessary. I believe that the exaggeration of war risks leading to excessive and violently-fluctuating insurance rates, to the weakening of the values of policies or securities, and possibly to the closing of insurance markets, might, by imposing a serious check upon the operations of the Mercantile Marine, entail grave national danger. After the early stages of war have passed it is to be expected that estimates of maritime risks will begin to approximate to true standards. This early period, during which insurance is, as one witness admitted, a system of betting against capture, must, therefore, be regarded as critical. If the State can succeed in steadying rates until they rest upon a reasoned basis, all that is necessary will be attained. From the national point of view, it is the overestimate of risk, with all the consequences involved, that has to be feared, not the actual captures, which, if the Navy is maintained at an adequate strength, and is effectively directed, will not reach such dimensions as to constitute a public danger.

12. Whatever steps may be taken in the direction of a State guarantee of the risks of shipping, it is clear that the general financial disturbance to which war will

certainly give rise must affect the whole economic position of the country, and react upon maritime interests. In Sir R. Giffen's view, this disturbance will be so serious that difficulties caused by high insurance rates would be relatively trivial. I agree that a war between two great commercial and industrial Powers would, in present financial conditions, produce convulsions in the money markets to an extent of which past experience supplies no indication Whether our financial position can be rendered less vulnerable than it has now become is a question which lies outside our reference, and remedies, if they can be devised, must entail a modification of financial conditions in peace. On the other hand, interference with the peace conditions of maritime commerce appears impracticable, while support to the operations of shipping, by any means which did not throw undue liabilities upon the State, would tend to mitigate the economic disturbance arising from causes independent of an enemy's attacks on our trade routes

13. The forms which a State guarantee might assume may be classed under two heads :—

A. Free indemnity.

B. Purchased indemnity, including any system under which the ship and cargo-owner contributes.

14. The Committee has placed before the witnesses the outlines of alternative schemes under which either the whole liability for war losses would be assumed by the State, or guarantees would be given to ship and cargo-owners on payment of an *ad valorem* percentage charge. The evidence was most conflicting. Some representative shipowners (Messrs. Leverton Harris, H. R. Miller, A. N. Hill, J. S. Mitcalfe, C. McArthur), urged the advantage of free indemnity, which Mr. J. P. Maclay regarded as the more favourable arrangement from the point of view of the State. Of the witnesses who advocated State action, a small majority was in favour of purchased indemnity, and some who supported the alternative agreed that this system, if practicable, would be an improvement on existing conditions. Moreover, the preference given to free indemnity was, in some cases, due to a belief that no plan of State insurance based on premiums was workable.

15. A system of free indemnity appears to be open to the strongest objections. It would necessarily tend to over-statement of values ; it lacks all elasticity, and its apparent simplicity vanishes on investigation. In war every interest would suffer, and it is by no means clear that the shipping interest, as a whole, would suffer most, since enhanced profits would certainly be made on successful voyages. The popular illusion that war raises prices was dispelled by Sir R. Giffen, and it is a fact that prices tend to fall except when the production of special commodities is directly checked by the exigencies of belligerents. On the other hand, freights are certain to rule high.

16. The suggestion that the competition of neutrals would seriously restrict the profits of British shipping during war appears to be ill-founded. Hostilities between two great maritime Powers would render the shipping of both liable to capture, and there would not be sufficient surplus tonnage in possession of neutrals to take over any considerable proportion of the carrying trade of the belligerents after providing for normal requirements. Moreover, unless a rigidly restricted definition of contraband can be embodied in international law, it is evident that neutral shipping will not be immune, and must be insured in many cases. Great commercial powers are also great naval Powers, and in the case of a war with a minor commercial Power, the British Navy would be able to protect our trade so effectively that no form of State guarantee could be needed. Finally, it is certain that if Great Britain were involved in war a large amount of mercantile shipping would be taken up for naval and military purposes at liberal rates.

17. While there might be heavy losses to individual firms during the early stages of war, there will be certain compensations, and there is no reason to believe that the shipping interests, as a whole, would suffer to such an exceptional extent as to justify the adoption of free indemnity. I consider, therefore, that this system would be regarded as grossly inequitable by the general public, and must be unhesitatingly dismissed as lying outside the scope of practical politics.

18. On the other hand, experience has shown that a material rise in war risk premiums does not check maritime operations, and, as a small majority of witnesses agreed, there is no valid objection to the principle of a limited *ad valorem* contribution levied on shipping and cargoes. A system based on this principle, must, however, be thoroughly practicable, and ready to come into use whenever the necessity arises without dislocating business methods, or imposing harassing conditions on the trading community.

19. I consider that it is absolutely impossible for the State to set up an Insurance Department at the outset of war. The magnitude and multitude of the transactions involved would alone suffice to render any such scheme impracticable. Government Departments have no experience of insurance business, and it would, therefore, be necessary to invoke the aid of a large body of experts, who could not be expected to examine the situation with the anxious care which is necessitated by personal liabilities. Moreover, if under such a system insurance rates fluctuated considerably from day to day, the advantage from the point of view of the maritime interests would be heavily discounted. It is, therefore, natural that many witnesses, who conceived of no alternative except a State Insurance Department, should have declared for free indemnity.

20. On the other hand, if the State were to lay down a schedule of rates corresponding to zones of voyages, and to empower established insurance offices to issue policies on commission, the practical difficulties will be found to disappear.

21. It is obviously impossible, even if it were necessary, to devise a schedule of rates so adjusted as to balance receipts and losses, because neither can be estimated with any approach to accuracy. The object of the State is not to make a successful speculation, not to guard itself against possible loss, but by enabling the ship and cargo-owner to know their maximum liability to prevent maritime enterprise being checked by a sudden rise of rates which might be out of all proportion to the actual risk, or to the risk as modified by suitable precautions.

22. The term "market rates," which is sometimes applied to war insurance, will be found on examination to be meaningless. War insurance being based upon conditions of which there is little experience, it may be expected that any heavy loss to a section of the market would instantly react upon the whole and cause a sudden general rise of rates. The alarm would be general, although the actual loss might not indicate a real increase of risk, and might quite conceivably lead to an immediate diminution of risk. Meanwhile, however, shipping would be heavily penalised, and vessels might consequently be kept in port. Thus it is the effect of loss upon the resources of the individual underwriter, not the true measure of the risk which may fix the insurance rates. In other words, the so-called market rate is determined, not by the proportion of loss to shipping afloat but by the incidence of the loss. If captures occurred at regular intervals, moderate rates might prevail. If two or three sensational captures occurred within a few days a sudden and excessive rise would be inevitable. War insurance is not a science, not even a business in the strict sense of the term, but a psychological process.

23. The object of the State being simply to prevent excessive fluctuation of rates by laying down a limit, I consider that a schedule on the following lines would fulfil all reasonable requirements :—

(*a*)	Vessels crossing the English Channel or North Sea	½ per cent.
(*b*)	Vessels entering the Baltic	1 ,, ,,
(*c*)	Vessels passing through the English Channel	¾ ,, ,,
(*d*)	Vessels passing through the Irish Channel	¼ ,, ,,
(*e*)	Entrance of English or Irish Channel to Gibraltar	¾ ,, ,,
(*f*)	Mediterranean	½ ,, ,,
(*g*)	Entrance of Channels to Cape or South America	1 ,, ,,
(*h*)	Entrance of Channels to North America or West Indies	1 ,, ,,
(*i*)	Suez or the Cape to Australia or the East	½ ,, ,,

Under this schedule a vessel and cargo proceeding from London to Australia would be charged $\frac{3}{4} + \frac{3}{4} + \frac{1}{2} + \frac{1}{2} = 2\frac{1}{2}$ per cent. via the Suez Canal or $\frac{3}{4} + 1 + \frac{1}{2} = 2\frac{1}{4}$ per cent. via the Cape.

24. The application of the principle of fixed rates on certain zones would provide extreme elasticity, and while taking account of the length of voyage, and also roughly corresponding to the comparative risk, would meet the case of war with different Powers. Thus the ship and cargo-owner would be able to avoid all charge on portions of the voyage which might be regarded as safe in particular circumstances. The Government schedule would not come into play unless underwriters' rates had risen to its level or doubts as to their solvency had diminished the value of policies as securities ; and whenever the underwriter was willing to quote lower the business would lapse into private hands.

25. The State rates should be open to all ships under the British flag at all times, in order that the ship and cargo-owner might avail himself of the system if better terms could not be obtained during a period when the outbreak of war was expected

26. Witnesses informed us that there was no special difficulty in estimating the value of a ship, and that cargoes might be taken at the values accepted for purposes of marine risk insurance. The production of a marine risk policy issued by any reputable Firm might be made a condition of the issue of a State policy under the schedule. Another condition inscribed on the State policy would be that instructions received from State Agents at any port must be observed. A Board for the settlement of claims would have to be established at the outbreak of war. Its decisions should be final, and it should be so constituted as to command full confidence.

27. Although I gave an outline of this scheme ten years ago, it was new to the witnesses, and to place it before them in the course of examination was necessarily difficult. To underwriters especially the principle of fixed rates would naturally appear, at first sight, to violate all canons of insurance business. It will be found, however, that in some cases the answers were distinctly favourable to this scheme, and one witness to whom it was afterwards explained admitted the advantages.

28. The following objections disappear on examination :—

(1) There is no scientific basis for such a schedule of rates as is indicated in Paragraph 23. This applies with greater force to war insurance as now conducted. The State, however, has a definite object in view—that of steadying rates, of maintaining credit, and of preventing such a rise as might check the movements of shipping. These conditions will assist in framing the schedule, and should the rates be fixed at a height exceeding the estimate of risk, the ordinary market would absorb the business. On the other hand, if the rates are fixed too low, the State will carry all the risks, but will receive all the premiums. Unless, therefore, the captures were far greater than there is any reason to assume, assuming an adequate Navy, effectively handled (paragraph 3), the net loss to the State cannot be excessive, and would be of the nature of expenditure applied to make good unforeseen naval requirements. In any case, if the object is fully attained, some loss would be justified.

(2) The market would secure the good risks, and the bad risks would be thrown upon the State. It is obvious that the insurer will select the cheapest rates available ; but the bad risks of one day may be the good risks of the next, and *vice versâ*. The captures will, therefore, frequently falsify the estimate of risk, and the State will not necessarily incur an undue share of the loss.

(3) The shipowner who purchases a State indemnity will secure little advantage, because the State instructions (which he is bound to observe) will, with a view to save loss to the State, be so tightly drawn as to prohibit movement in an area regarded as dangerous.

It was generally admitted by witnesses that complete discretion as to navigation could not be permitted under any system of free or of purchased indemnity, and this objection must apply to all schemes of this nature. As, however, it must be the first object of the State to keep trade routes open, there must evidently be reluctance to impose serious delays upon shipping or to add to the marine risks.

29. The system of indemnity at fixed rates appears to me to provide the only practical means of fulfilling requirements which witnesses have stated to be imperative. Other suggestions have been put forward, such as a bonus on shipping and cargoes which completed the voyage to or from this country; free indemnity paid for by special tonnage dues imposed in war; small fixed premiums paid in time of peace to build up an indemnification fund; the State to guarantee the solvency of underwriters and companies. I consider that there are insuperable objections to all these proposals.

30. While the system of indemnity at fixed rates is the only one that I am able to support, I desire to emphasize the view that such a movement of shipping in war as is vital to our national needs can be secured by naval means alone. No system of State indemnity can do more than provide a safeguard against the effects of an exaggerated and violently-fluctuating estimate of risk which might prevent our shipping from going to sea with the grave results entailed. The extreme sensitiveness and the liability to panic which characterise modern commerce suffice, in my opinion, to justify the measures advocated. If the essential condition—that effective naval protection will be forthcoming in war—is fulfilled, as I believe it can be fulfilled, no undue burden will be thrown upon the State.

31. I think it necessary to point out, however, that some of the naval evidence appeared to be far from satisfactory. It was plainly intimated that the whole force of our fleet ought to be brought to bear upon the fleet of an enemy in war, and that no special arrangements to safeguard commerce would be made, at least in the early stages. I regard such strategy as misconceived, and not supported by the experience of wars in which our commerce has been at stake. Unquestionably the primary object must be to defeat or to assert full control over the enemy's fleet; but our naval strength should be such as to provide, in addition, means of affording some direct protection to commerce at the very outset of war. Further, it is essential that the whole question of the defence of commerce, and therefore of inspiring confidence, should be carefully and continuously studied in time of peace, and that all arrangements for the distribution of warships with this object, and for the communication of instructions to the Mercantile Marine, should be thought out in advance. It is true that the best plans are liable to be upset in war, but if no reasoned plan exists, and if the means of protecting commerce remain matters of controversy until the outbreak of war, the losses will inevitably be far in excess of what the country ought to be called upon to bear. I consider that the defence of commerce requires the permanent attention of a special branch at the Admiralty. The work involved is so important that this branch should be presided over by an officer of great experience, who should be in close touch with the interests concerned, and should command the full confidence of the maritime and mercantile community.

September 5th, 1907. G. S. C.

NOTE BY THE CHAIRMAN.

A copy of the Chairman's draft Report having been sent to Sir G. Clarke at Bombay, he forwarded the following observations, which it seems desirable to record, although some of the criticisms have been anticipated by the alterations made by the Committee before adopting the Report.

A. C.

March 24, 1908.

NOTE BY SIR GEORGE CLARKE ON THE DRAFT REPORT.

1. While I agree in great measure with the draft Report, I consider that it does not do full justice to my scheme, or bring out all the advantages that may be claimed for indemnity purchased at rates fixed by the State.

2. Ample allowance must be made for the fact that this scheme was new to the witnesses, who did not wholly comprehend its nature. I endeavoured to bring the points before them in cross examination; but this method was not very satisfactory, and it is clear that much misunderstanding prevailed. Thus Mr. Gow thought that the fixed rate might be "grossly exaggerated" and that the State "might be overcharging for" the risk. As the open market would obviously be resorted to if the State rate proved, at any time, higher than the risk demanded, there could be no possibility of "overcharging." Similarly the objection that the State rate might be "grossly inadequate" is easily disposed of. Again, Mr. Strachey was of opinion that the scheme "would have good results and would be much better than nothing," but thought "it would be simpler" for the State "to assume the whole risk." A little consideration would have revealed the fact that the real complication arises in the computation of values, and is, therefore, equally entailed by free indemnity. Moreover, no valid reason can be alleged for saddling the State with risks towards which nothing is contributed, thus creating in time of war a privileged class.

3. In spite of the general failure to realise the nature of the working of my scheme, I think that the opinions referred to in Paragraph 116* of the draft Report must be regarded as distinctly favourable. I am also convinced that further reflection, based upon an adequate conception of the principles of the scheme, would have led to a larger measure of approval from such witnesses as were neither solid in favour of free indemnity nor convinced that no form of national guarantee was required. I submit that the draft Report does not sufficiently indicate the significance of some of the concessions made in cross-examination.

4. Turning to the criticisms of the Committee (125), I am not able to admit that the State rate could not be fixed on "a reasoned basis, or any stable or arguable foundation."† It is, I believe, possible to frame a schedule of rates on rational grounds, while the elasticity of the system would enable it to adjust itself to developments which could not be foreseen. I may point out that the schedule quoted in Paragraph 115‡ was suggested only as a model, and was not intended to be regarded as a final proposal.

5. In my note of 5th September, 1907, I have dealt, I hope effectively, with the "objection" (126) that the scheme "would leave the State with all the bad risks and the market with all the good ones."

6. I venture to think that the apparent inconsistency alleged in Paragraph 126† in the cases of the Australian and the cross-channel voyages does not really exist. It is, on my naval hypothesis, wholly inconceivable that the Channel passage should be endangered for "300 days." The probability is that this particular voyage would either be safe or too risky to be attempted. In the one case, the ½ per cent. would not be paid. In the other, the Admiralty would either bar the passage

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* Now Paragraph 117. † Since amended. ‡ Now Paragraph 116.

at State risk altogether, or would make special arrangements to safeguard it. In any case, however, the ship or cargo owner would not pay the State rate if the market offered better terms, and neither could have any possible grievance.

7. In Paragraph 164*, Mr. Estall is quoted as saying that "there would be a tremendous opening for fraud," and that "Government would not be able to compete with the tried machinery of Lloyds." In Paragraphs 167† and 168† the Committee appear to endorse this view. It is, however, an essential feature of my scheme that values should be taken from those accepted by any reputable Insurance Firm for the purpose of marine risks, and that the production of a policy issued by such a Firm should be a condition of the granting of a State war policy. Thus the "tried machinery" would operate for the protection of the State. Some witnesses, if I remember right, admitted in cross-examination that Government valuations might thus be arrived at.

8. Lastly, I disagree with the conclusion expressed in Paragraph 117‡ of the draft Report, which conclusion must, naturally and rightly, have influenced the Committee in deciding not to recommend any form of national guarantee. I am convinced that the outbreak of war with a strong naval Power will cause a disturbance in the insurance market of which we can form no adequate idea, and that this disturbance will re-act upon our whole economic structure with grave results. If the Navy is sufficient and efficient, the critical period will not be of long duration; but, meanwhile, irreparable injury may be inflicted. The scheme I have ventured to suggest would, I believe, serve to allay panic and to steady the operations of shipping until the naval situation was assured. The insurance of war risks would then be taken up by underwriters, who would be able to form a fair estimate – previously impossible—of the risks involved.

G. S. CLARKE.

Bombay, 3rd March, 1908.

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* Now Paragraph 156.

† Now Paragraphs 159 and 160.

‡ This does not refer to the present Paragraph 117 but to a paragraph which does not appear in the Report, it having been struck out on consideration.

NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING.

Volume II.

APPENDIX TO THE REPORT OF THE COMMITTEE.

MINUTES OF EVIDENCE

AND

APPENDICES.

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VOLUME II.

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414. 1500—Wt. T.L. 204. 7/08.—Wy. & S.

NATIONAL GUARANTEE COMMITTEE

TERMS OF REFERENCE

(1) Whether it is desirable that the State should undertake to make good to shipowners and traders losses incurred through the capture of shipping by the enemy in time of war;

(2) If so, whether such indemnity should be granted gratuitously, or should be coupled with the payment of premiums calculated to recoup the State—either wholly or in part—for the cost to be incurred;

(3) What conditions should be attached to the grant of the indemnity, and what arrangements should be made for the proper working of the scheme.

MEMBERS OF THE COMMITTEE.

The Right Honourable Austen Chamberlain, M.P. (*Chairman*).

The Right Honourable Sir R. B. Finlay, K.C., G.C.M.G.

Sir Thomas Glen-Coats, Bart., M.P.

Sir J. L. Mackay, G.C.M.G., K.C.I.E.

Sir George Sydenham Clarke, G.C.M.G.

Sir George H. Murray, K.C.B.

Captain Sir Charles L. Ottley, R.N., K.C.M.G., M.V.O.

Mr. H. Llewellyn Smith, C.B.

Mr. Edward Beauchamp, M.P.

Mr. Henry Neville Gladstone.

Mr. Frederick Huth Jackson.

Mr. Arthur Lindley.

Mr. George H. Duckworth (*Secretary*).

LIST OF WITNESSES

in the order in which they appeared before the Treasury Committee.

NOTE:—A précis of the Memorandum submitted by each witness in anticipation of his evidence has been drawn up by the Secretary, and is inserted at the beginning of the evidence. These précis are intended to give a clue to the line taken by the witness. They do not, of course, cover all the points on which the witness was examined, nor have they been used as "evidence" for the purposes of the Report.

Date.	Name and Qualification of Witness.	Number of First Question.	Page.
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First Day, 4th December - - -	The Right Hon. Lord Balfour of Burleigh, K.T. (Chairman of the Royal Commission on Food Supplies in Time of War).	1	1
Second Day, 11th December -	*Mr. T. G. Bowles. [No. III.] - -	68	8
Third Day, 12th December - - -	Captain Harry Jones, R.N., Assistant-Director of Naval Intelligence.	250	24
1907.			
Fourth Day, 19th February - -	Mr. F. Leverton Harris, M.P., Underwriter at Lloyd's, Director of the firm of Messrs. Harris and Dixon, Shipowners and Insurance brokers.	493	34
Fifth Day, 26th February - - -	Sir Theodore Angier, Shipowner - -	694	44
Sixth Day, 5th March - - - -	Mr. A. W. Roberts, Insurance broker, and Underwriter at Lloyd's.	845	50
	Mr. R. B. Lemon, Underwriter to the Marine Insurance Company.	1013	58
Seventh Day, 12th March - - -	*Mr. Raymond Beck, Underwriter at Lloyd's. [No. IV.]	1197	65
Eighth Day, 19th March - - -	Mr. S. A. Boulton, Underwriter at Lloyd's -	1485	75
Ninth Day, 25th March - - -	Mr. J. T. Binning, Chairman of the Liverpool Underwriters' Association.	1740	84
Tenth Day, 16th April - - -	Mr. Charles Wright, Director of the firm of Messrs. Henry Head & Company, Insurance brokers, Deputy Chairman of the London Salvage Association, and Underwriter at Lloyd's.	1963	92
Eleventh Day, 23rd April - - -	*Mr. Douglas Owen, Barrister-at-law, late Secretary of the Alliance Marine and General Insurance Company. [No. V.]	2115	100
Twelfth Day, 30th April - - -	Mr. William Gow, Underwriter to the Union Marine Insurance Company, Liverpool.	2407	112
Thirteenth Day, 7th May - - -	*Mr. F. Bolton, Underwriter, Insurance broker, and Shipowner, Chairman of Lloyd's, 1906. [No. VI.]	2662	121
Fourteenth Day, 28th May - -	*Sir Robert Giffen, K.C.B., F.R.S., Comptroller-General of the Commercial, Labour, and Statistical Department of the Board of Trade, 1893–7. [No. VII.]	2971	131

Date.	Name and Qualification of Witness.	Number of First Question.	Page.
1907.			
Fifteenth Day, 4th June - - -	Mr. Charles Brightman, senior partner in the firm of Messrs. Turner, Brightman and Company, Shipowners, Deputy-Chairman of the General Shipowners' Society, Chairman of the British Steamship Owners' Association, and Shipowners' Representative on the Pilotage Board of the Trinity House.	3130	140
Sixteenth Day, 11th June - - -	Mr. H. R. Miller, of Messrs. Thomas R. Miller and Son, Managers of the United Kingdom Mutual Steamship Assurance Association.	3368	147
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	Mr. Norman Hill, Secretary of the Liverpool Steamship Owners' Association.	3613	159
Eighteenth Day, 25th June - -	Mr. Thomas Estall, Joint General Manager of the National Provincial Bank of England.	3811	166
	Mr. J. P. Maclay, senior partner in Messrs. Maclay and McIntyre, Shipowners, of Glasgow.	4010	172
Nineteenth Day, 2nd July - - -	Mr. R. W. Jeans, Manager of the Bank of Australasia.	4146	178
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Twenty-First Day, 16th July - -	Mr. J. Stanley Mitcalfe, representative of the Chamber of Shipping of the United Kingdom, Chairman of the Northern Maritime Insurance Company, and Chairman of the North of England Protecting and Indemnity Association, 1906.	4304	185
	Mr. Charles McArthur, M.P., Average Adjuster.	4473	193
Twenty-Second Day, 23rd July - -	Mr. J. A. Toomey, Manager of the National Bank of India, representing the Exchange Bankers' Association.	4624	200
	Admiral Sir Cyprian Bridge, G.C.B., Director of Naval Intelligence, 1889–92.	4788	205
Twenty-Third Day, 30th July - -	Mr. J. St. Loe Strachey, Editor of the "Spectator" newspaper.	4896	211

* An asterisk is placed against the names of those witnesses by whom Memoranda were put in which have been reprinted as Appendices; and the number of the Appendix put in is indicated in each case in brackets after the witness' name.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

TREASURY COMMITTEE

ON

NATIONAL GUARANTEE FOR WAR RISKS OF SHIPPING.

FIRST DAY.

Tuesday, 4th December 1906.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.

Mr. GEORGE H. DUCKWORTH (*Secretary*).

The Right Hon. LORD BALFOUR OF BURLEIGH, K.T., called and examined.

The Right Hon. Lord Balfour of Burleigh, K.T.
4 Dec. 1906.

Lord Balfour, in a preliminary memorandum,* had submitted:—

(1) That the Royal Commission on Food Supplies in Time of War had been practically unanimous in suggesting that a Committee should be appointed to consider details, and to frame the conditions under which any scheme of insurance or indemnity should be undertaken by the Government.

(2) That distinct meanings should be attached to the terms "Insurance" and "Indemnity."

(3) That of the three suggestions submitted to the Commission, viz.:

(*a*) That the cost of insuring against war risks should be reimbursed to the British shipowner or merchant by the Government;

(*b*) That the Government should take the place of underwriters, and insure shipowners and shippers against war risks at premiums which, as there would be no question of making a profit, could be made much smaller in amount than if undertaken as a commercial enterprise;

(*c*) That the Government should make good to shipowners and shippers all or part of their losses by capture in war;

(*a*) may be dismissed as open to insurmountable objections, (*b*) may be described as National Insurance, and (*c*) as National Indemnity.

(4) That National Indemnity is preferable to National Insurance.

(5) That the object of a State Guarantee is "to minimise so far as possible, or even to eliminate altogether, the amount by which war insurance would increase the cost of commodities, and to prevent British shipowners being compelled, owing to the disadvantageous position in which they might find themselves with reference to neutral competitors, either to lay up their ships or transfer them to a neutral flag." (R.C. Report, Para. 229.)

(6) That the difficulties in the way of effective transfer are so great as to make such transfers impracticable.

(7) That a combination of insurance and indemnity by means of a fixed maximum payment as suggested to the Commission by Mr. Wilding, deserves the attention of the Committee.

(8) That although the question of insurance or indemnity came primarily before the Commission as a means of securing supplies of food and avoiding fluctuations of price, its effect upon our export trade is equally important.

(9) That the arguments in favour of a State indemnity are:—

(*a*) That payment would only be necessary for the actual losses incurred by capture.

(*b*) That the rise in prices due to increased freights and insurance under the apprehension of war would be wholly avoided in all cases in which war does not supervene. (*Cf.*, Penjdeh and Fashoda scares.)

(*c*) That the Admiralty would have a freer hand in the direction of naval policy.

(10) That it is fairer to place the cost of an indemnity on the taxes than to leave the indi-

* *Vide* note, p. iii.

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vidual consumer to pay as best he can, and that the consumer and taxpayer may, in this case, be regarded as convertible terms.

(11) That a State Indemnity should cover all classes of goods, and also payments for freights.

(12) That the question for decision appears to be whether the advantages of National Indemnity are sufficient to counterbalance the risk that a Government Department could not properly control its administration.

(13) That absolute control should be given to the Admiralty, so as to protect the Government against extravagant losses from unjustifiable risks.

(14) That it would be possible to maintain by special regulation a fair distinction between marine risks and war risks.

(15) That the legitimate business of marine insurance would not be interfered with to any extent, since it appears that the market for war risks is a small one.

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1. (*Chairman.*) As we know, you were the Chairman of the Royal Commission on Supply of Food and Raw Material in Time of War?—Yes.

2. In the course of the evidence which you took, you had various schemes for national insurance or indemnity laid before you?—Yes.

3. You therefore gave some attention to the matter, and in your Report you made a recommendation, of which this Committee is really the outcome?—So I understand.

4. We have asked you therefore to attend to-day, in order that we might have the benefit of your judgment on the proposals laid before your Commission for guidance in our inquiry. You will have seen that three questions are referred to us, the first being "Whether it is desirable that the State should undertake to make good to shipowners and traders losses incurred through the capture of shipping by the enemy in time of war." I gather from your Report that you would answer that question in the affirmative?—Yes, I should answer it in the affirmative. Perhaps I should add that in paragraphs 226–247 and 266, 267 and 268 in Part IV. of the Report, we say what I think may fairly be said to be the unanimous opinion of the Commission; but it is discounted to a certain extent in paragraph 71, 72 and 73 of the Reservations signed by five of my colleagues, which should be read in connection with the main Report. But they all signed the main Report, and even in their own Reservations they conclude with an emphatic recommendation for the appointment of a Committee to consider the scheme in detail.

5. Though the minority who signed those Reservations do raise some objections on grounds of principle, still, their objections are mainly directed to the practicability of the scheme, are they not?—I read them as such.

6. That is to say, they have not themselves seen their way to a practical scheme. Taking it for a moment that it is desirable to have some scheme, perhaps you would tell us briefly on what grounds you think it is desirable?—I speak, of course, on these matters with very great diffidence, because I know practically nothing of the details of marine insurance, and all that I have learnt upon it I have learnt from the witnesses who came before the Royal Commission. Therefore, whatever I say now must be taken as being put forward as the opinion of one who desires to be modest in the matter and not to speak or dogmatise on things which are beyond his personal knowledge.

7. Could you give the Committee, briefly, the reason which led you to think that a scheme was desirable?—I would respectfully refer you to the Report, but it is primarily to get rid of some of the difficulties which I foresee owing to the change in naval warfare. In old days—taking the last time we were at war with a naval power—convoying was a principle duty of ships of war. I suggest that the change from sail to steam has made convoying practically impossible. Many of the shipowners do not seem, I think, to have grasped that, because some of those who came before us prefaced their evidence by the assumption that the Admiralty was going to protect them in the future as in the past, and in the same sort of way. Now, convoying, I am sure, is a thing of the past, on account of the clouds of smoke that would attract attention, and on account of the difference in the speed of the ships. Speaking again with very great diffidence, and summing up as far as I can judge the evidence of the expert naval witnesses, they will endeavour to protect shipping, not by convoying them about, but by bottling up, so to speak, the hostile navy in their own ports.

8. Two distinct objects have been suggested as reasons for some scheme either of indemnity or of insurance. One is to keep down the prices of food-stuffs and raw materials as near as possible to a normal level; and the other is to prevent the transfer of British shipping to a foreign flag. The two things overlap, but they are not the same. Am I right in understanding from your Report that you attach more importance to the question of keeping down the prices of food-stuffs and raw materials than to the question of the permanent transfer of British shipping to a foreign flag?—That would be so, very distinctly. Again I speak from what I have learnt from other people. This is a matter of law, and to a Committee, of which Sir Robert Finlay is a member, I should speak subject to anything he may say. I am a profound disbeliever in the effective transfer of shipping from our flag to another. In the first place, I do not believe it can be done in a hurry. I do not think that the prize courts of other countries would be easily induced to accept a transfer. They would use all sorts of technical pleas and difficulties as to the efficacy of the transfer; and I doubt very much whether capital could be got to insure that it was really paid for, and I do not see how delivery can be given when ships are all over the world. There are all sorts of other technical difficulties which I know deeply impressed our legal member, Professor Holland, who distinctly thinks that it is not a danger which need be seriously apprehended. I do not want to go far into it; but the cant example which is given to us is that of what happened to American shipping in the time of the war in the sixties. Now it was pointed out to me,—though a great deal of it was not put into our Report or into our evidence—that there was probably another cause for that which has been insufficiently attended to. That happened to be synchronous with a large change from wood to iron, as well as from sail to steam, in shipping; and the opinion of those who spoke to us was that the loss of American shipping was just as much because they did not keep pace with the new forms of iron building. There was a great boom in their affairs, they had other things to attend to and they did not do that; so they lost ground and have never regained it. It was quite as much from that as from the relatively small damage which was done by the two or three Confederate cruisers that escaped.

9. Passing now to the second heading of the reference to this Committee, let us assume that there is to be some form of either indemnity or insurance; will you tell us which form you would prefer?—I prefer what I describe as national indemnity. I attach great importance to the use of distinct phraseology, and to the same phrase connoting the same thing, because before us, people came in and talked of national insurance when they meant indemnity and so on.

10. Perhaps you would draw the attention of the Committee to the three forms of schemes that were suggested?—If the Committee will refer to paragraph 228 of the Report, that will show that three different suggestions were put before my Commission, and during the course of the inquiry, all of them were referred to by one witness or another as national insurance. The first of the three was that the cost of insuring against war risks should be reimbursed to the British shipowner or merchant by the Government. The second was that the Government should take the place of underwriters, and insure shipowners and shippers against war risks at premiums which, as there would be no question of making a profit, could be made much smaller in amount than if undertaken as a commercial enterprise. The third was that the Government should make good to the shipowners and shippers all or part of their losses by capture in war. I dismiss the first of these suggestions, as open to every objection which may be brought against either of the other two, and others besides. I propose, if the Committee will allow me, to follow the phraseology of our Report, and to describe No. 2 as national insurance and No. 3 as national indemnity. Personally, I prefer national indemnity, but I do agree that the object of all who have advocated either of these proposals may be said to be the same, and that object

is described in paragraph 229 of our Report. The exact words to which I refer are these: "To minimise, so far as possible, or even to eliminate altogether the amount by which war insurance would increase the cost of commodities, and to prevent British shipowners being compelled, owing to the disadvantageous position in which they might find themselves with reference to neutral competitors either to lay up their ships, or transfer them to a neutral flag." I have dismissed the question of the transference to a neutral flag, but I do think that the risk of a certain part of our shipping being laid up is serious, unless something of this kind is done, because the slower the ship, obviously the less chance it has of escaping the attentions of a hostile cruiser. I think the practically unanimous opinion of the ship-owning community is that if there is no convoy and no indemnity, the temptation to lay up the ships and keep them here will be very great, which would then cause an economic rise in the price of freights.

11. You did have a suggestion made to you at the Commission, I think, for something in the nature of a combination between insurance and indemnity—a kind of half-way house?—Yes. One witness, Mr. Wilding, suggested a scheme which I think might fairly be described as a combination of the two ideas underlying national insurance and national indemnity. That was that a premium of a fixed amount should be paid to the Government. The particular figure suggested by him was 5 per cent., and he attached importance to some figure as a guarantee for the fairness of the claims which would ultimately be made in the event of loss by capture, because payment of a premium of 5 per cent. would involve the stating of a sum as capital value on which the premium would have to be calculated.

12. Were you inclined to accept his view?—I was not personally. Of course, I cannot speak for the whole Commission; the majority, I think, distinctly agreed with me, but there were others who took a slightly different view. I think I am entitled to urge that we must take care we do not raise unnecessary difficulties of phraseology because when you come to think it out, if the premium charged for the insurance is one which is not calculated to recoup the cost to the Government, it is indemnity practically in everything except the name, although it does not go quite so far.

13. So that in your view the higher the premium and the more self-supporting the scheme the more it approaches insurance?—That, I think, is certainly so. I should like to point out that the higher the premium the less you do anything to get rid of what was very important for our particular purpose—namely, the economic rise in the cost of freight on bringing into this country the stuff that we want to live upon.

14. When you speak of the economic rise I am not quite certain that I understand the exact significance of the term?—I venture to refer to Part II. (3) of our Report. I took some pains with it, but it was very nearly cut out as too long and too complicated. When I speak of the economic rise I mean this, that if freights go up either from scarcity of transport or from the cost of insurance, the cost to the consumer of the article brought must rise, because the consumer must be the person who will pay all that it cost him. No one will bring it in as a philanthropist, and the consumer will therefore ultimately have to pay. I distinguish between that which I call the economic rise, and that which I will call the panic rise. I may say here privately that it was the object of some of those who promoted our inquiry to magnify the risks and get up a scare, and they brought working-class witnesses and others who said, "The price will go on to 80s. a qr.," or "It will be 160s.," and one man put it at 200s., and so on. We do not know what it will go up to because the stuff may not come in, and if there is a report of a naval disaster, and it is thought people are going to be starved as there is only a few weeks' supply in this country, there will be corners formed and up will go the prices. That I distinguish from the economic rise as the panic rise. Personally, any one who reads our Report will see that I am a profound disbeliever in the effect of that, or at any rate in its duration for any long time. The telegraphs will correct it. I do not believe you can blockade these islands, and—I speak strongly—I think it is absurd to say that wheat could remain at anything like 50s., 60s., 70s., or 80s. a qr. here, when it was at 30s. on the Continent, a few hours distant, and we have ports all round the country to which things would be brought.

15. Is there any other preliminary observation you would like to make?—Only this: Our instructions were to consider the conditions affecting the importation of food and raw material into the United Kingdom, and to advise whether any measure should be adopted in addition to the maintenance of a strong fleet by which the supplies can be better secured and violent fluctuations avoided. Those were the terms of our reference, and the question of insurance or indemnity in any form came primarily before us as a means of securing our supplies and avoiding those fluctuations. But there is another aspect to the question which was borne in upon my mind very strongly, and that was the probable effect of war prices for freight and insurance upon our export trade. I admit it was somewhat beyond our terms of reference, and it was upon that ground that, as a Commission, we did not go exhaustively into the subject. We confined ourselves to the recommendation which will be found in paragraph 268 as to the appointment of an expert committee. This point, the effect of war prices on our export trade, is, I venture to suggest to this Committee, at least as important as the other one.

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16. Generally, would it in your opinion be true to say that all the arguments which make for a scheme of insurance or indemnity in regard to the import of food supplies and raw material, equally make for such a scheme to protect our export trade?—I think so.

17. Perhaps I may ask you to tell us briefly your reasons for advocating a scheme of national indemnity?—I must start with the assumption that it will be admitted that the consumer will ultimately, in one form or another, have to pay practically all the extra cost of what he consumes. I think that is especially true of articles which I describe as necessaries, for example, food and raw material; and I suggest that in this matter the consumer and the taxpayer are convertible terms. Whether you call him the consumer or the taxpayer, in one form or another he will have to bear any extra cost that is chargeable as part of the costs of war. I suggest that it is better to put it on the taxes rather than to leave the individual consumer to pay it as best he can. I say that with diffidence, for I see Sir George Murray present, but I think that it is arguable in this way. Assuming only that we are dealing with the economic rise of prices, the ordinary insurance upon necessaries, such as food—and also the raw materials for manufacture, but take it on the food—would fall most heavily on the poorest class of the consumers. If you go into any form of national indemnity the cost would fall on the taxpayer, and its amount can be spread over a longer period by means of a war loan, or of taxation, to which all classes will contribute according to their means. You would get rid of that part of the rise which benefits no one but the underwriter If anyone has looked through the history of the scares for the last 15, 20, or 25 years, take, for instance, what is known as the Penjdeh Incident or the Fashoda Incident, or apprehensions of that kind, he will find that the insurance of war risks went up without war breaking out. Of course, if there was no outbreak of war and no capture, the whole of that, *qua* war insurance on the ordinary marine insurance, was profit to the underwriter; but the consumer had to pay. If any scheme of this kind was gone into, it is quite clear that nothing would have to be paid until a capture had actually taken place, and therefore there would be no justification for a rise of freight in respect of the war insurance until war actually broke out.

18. You have spoken especially of food-stuffs and raw materials; would you confine the scheme to those classes of goods, or would you make it applicable to all classes?—I would make it applicable to all classes of goods. Mr. Runciman, whose opinion is entitled to great weight on account of his practical skill and knowledge, wanted to make a difference between the importation of luxuries and of necessities. I do not think that is practicable; he stood alone in it, and I do not think it is worth while arguing. I think we must make a clean job of it, and indemnify or insure everything. But, passing that by, I attach very great importance to that side of the question which deals with our export trade and I suggest that if our export trade has to pay any increased cost for insurance in time of war it will be seriously handicapped in markets in which we are competing with other manufacturing nations, and perhaps we shall be driven out of those markets, in which even now competition is very keen. I should be much more afraid of these markets once being lost not being recovered than I should of the shipping being transferred to another flag. It follows, does it not, that if we lose our export trade there would at once be a loss of em-

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ployment at home and a consequent distress, just at the moment when it is most important that employment should be preserved and panic averted? I do not think I need develop that further unless I am asked questions upon it, because it seems to me obvious. The point I reserve is as to the expediency of indemnifying the exported goods. I am afraid of going a little beyond my depth, and you will stop me if I do. This is the point which is under the first head of your scheme where you use the expression "cargo liable to capture"; I do not quite understand what is intended by the phrase "cargo liable to capture." Is that intended to be equivalent to contraband, or is it is intended to touch on the question of the ownership of the goods? The ownership is, of course, a very important point, and it is a very complicated point. The ownership of the stuff we are bringing in, consigned to us, is probably ours, and therefore, being the private property of a belligerent, would be liable to capture by our opponent. If the stuff is being exported and is the property of the person to whom it is going, presumably a neutral, it perhaps would not be liable to capture because it is his property. Where the exact point occurs at which the export or import is transferred from the foreigner to us or from us to the foreigner would, of course, be a question for the Prize Court. It might be very complicated, but even if it were decided in favour of the person to whom the goods were going, still the delay and annoyance consequent on being taken to a Prize Court would handicap the man, because he would not get his goods at the time that was desired; and therefore, although it is an interesting point of law, it does not seem to me, whichever way it is decided, to be a point against the scheme of indemnity.

19. Of course, you understand that these two schemes, scheme A and scheme B, in no way represent any conclusion of the Committee at the present time; but we thought it was desirable to have something on paper to form a basis for discussion?—I understand that perfectly, and I am not going to use them. It is only as they were sent to me I thought I was not doing what would be useful to you unless I said everything, even if it was against my own view, because after all, there are difficulties, and they must be faced.

20. I think the schemes justify themselves in their object, in that they have enabled you to raise points of this kind?—May I say that so far as import or export to our colonies is concerned, whether going from us or coming to us, being to or from our colonies, they would be liable to capture. Therefore it strengthens my view in favour of an indemnity, because if we were sending goods to Argentina they might be the property of inhabitants of Argentina, and might not be liable to capture, but whatever was going between this country and the Cape, or Australia or New Zealand, either way, would, I take it—I speak with deference to the law—be subject to capture.

21. It has been suggested to us, and I think it was suggested to your Commission, that the granting of a national indemnity would affect, or might affect, in the opinion of Prize Courts, the nationality of the goods; and that therefore if you gave an indemnity on all goods the captor might argue that the loss would fall, not only on the nominal owner of the goods, but on the British Government under its indemnity; and that that makes the goods practically the property of the British Government and makes them liable to seizure, though had it not been for the indemnity they would not have been liable to seizure?—There is nothing a lawyer will not argue, and there is nothing which a probably hostile Prize Court will not decide if it suits them as a matter of policy. I am afraid I am one of those who think the canons of international law are liable to be strained if *force majeure* is on the side of those whose interest it is to strain them. Therefore, all I could say in answer to that objection which I have heard is this, that when all is said and done, supposing you give an indemnity and so much is captured as is likely to be captured, so long as we have a strong fleet and maintain our position as mistress of the seas I think you had better take it and do it, for the sake of the greater advantages of the freedom and safety of your population at home and your trade abroad. That is generally my answer to it.

22. May I ask you a question arising out of Scheme A paragraph 1. You will see that the suggestion there is that the indemnity should be confined to shipping registered in the United Kingdom; would you be disposed so to confine it, or would you extend it to all British shipping?—I do not know what would be involved, but I think there would be great jealousy and difficulty in discriminating. I should have thought that that was exactly one of the sort of questions which might be fairly put to our colonial fellow-subjects at any conference or anything of that sort which may take place. Personally, I do not believe in the greatness of the risk which we are asking the State to assume. I am prepared to give a calculation of it in detail hereafter, which may be useful. My own belief is that the overwhelming importance of making the Admiralty feel that they have everybody behind them in their policy would justify us going even to a greater risk than I think you are likely to do in the matter.

23. I gather that you do not think that the risks of fraud which would be incurred by the State are so grave as some of the witnesses before your Commission were afraid?—I suppose there is a risk, some people will try to make money out of us in any emergency, but I think that the penalty upon being found out would be so great if you take reasonable ordinary precautions, and public opinion would back you so tremendously in very drastic dealing with any person who did that sort of thing, that I would risk it. There is another objection, I do not know whether that was also in your mind, namely, that short of fraud, shipowners would be inclined to run what I would characterise as unjustifiable risks in the event of feeling that they were to be indemnified. I suggest to obviate that, which I do think is a risk, owing to the speculative and sporting instinct of the human race, that the control on the part of the Admiralty ought to be made very stringent. I think that a shipowner should understand that by telegraph or otherwise he was absolutely to obey the Admiralty as far as route was concerned, and that the Admiralty in these days of telegraphs should be able to give at very short hours' notice pretty good information as to where risks lay. It shows how far afield one is taken, but an ingenious person suggested this difficulty to me: Supposing the Channel was unsafe and you could not get to London through the Straits of Dover, and we wanted food from the West, I am putting the hypothetical case from either Canada or the United States, and the Admiralty said you must not go round the South of Ireland, but you must go round the North of Ireland, and you must take the Pentland Firth and come down the East coast of Scotland; supposing they encountered a storm in the Pentland Firth and the ship was wrecked; then the wreck of that ship in the Pentland Firth if due care in navigation was taken, would be a marine and not a war risk, but then that marine risk would never have been run except for purposes of war. Therefore I should be inclined personally, provided due care in navigation was exercised, to include that as a thing for which the man should be indemnified. But I gather from one paragraph in this scheme that whoever drafted it is inclined to take the contrary view. I do not think it is a very big point, and I do not think it is worth hunting at this particular moment. I only mentioned it to show that in studying the question, I have tried to go as far as possible into all the difficulties that were raised.

24. In order to protect the British Government against the shipowner running undue risks you would rely, as understand it, upon Admiralty instructions, compliance with which would be a condition of the indemnity?—That is my suggestion.

25. Have you considered in what way you would protect the State against unduly high claims? Assume that the risk was not an undue risk, and that the ship was properly navigated and so on, have you considered how the State should be protected against fraud—perhaps fraud is too strong a word—injury, I will call it?—On that point I admit that there is a danger to be guarded against, and it was very ably argued by Mr. Gow, who was a Liverpool underwriter. His evidence will be found in Volume II. of our Report and his memorandum in Volume III., page 234. One of the points of objection is that the ordinary marine insurance valuation would not be for the purpose of the war risk, because it is usually in excess of the actual value of the ship. He quite admits that there is nothing fraudulent about it, because it is done, as I understand, mainly for the convenience of the underwriters. I hope those who are interested in these things will feel that I am speaking with great diffidence and only from what I know from our enquiry. If anyone will look at question 10470 in Volume II of our evidence he will see the concrete case which Mr. Gow gives. He says that underwriters do not dislike a larger valuation than is absolutely defensible because they want to bring in a greater number of people to be liable in case of partial damage. The case he gives is, supposing

the real value of a ship is £30,000, they will not mind its being put in at £40,000, because they will bring in 40 people who take £1,000 each, instead of 30 people who take take £1,000 each, and then in the case of partial damage, which I understand is much the more common thing, the risk is more spread. But even assuming that a system of indemnity was chosen, I do not myself see any difficulty in ordering the shipowner who wishes to join in the advantages of it to take out from the Government Department concerned what would correspond to a policy in the case of ordinary marine insurance, and in doing it he might be required to hand in all necessary papers to establish the value of his ship, and the Department would have powers to call for further particulars, and would therefore, if they chose, have time to establish the value, at any rate very near the proper figure, before any question of paying an indemnity could arise. I ought, perhaps, to say that in studying this matter I was rather surprised to see in yesterday's *Times* a long paragraph about the marine insurance market which seems to controvert Mr. Gow's suggestion that ships are overvalued. The grievance there for the underwriters is that they are beginning to realise by painful experience that ships are under-valued, and that when they are totally lost they have to pay much more than they ought to do. I would like to call attention to this paragraph; but really the whole subject is so technical and difficult that I do not feel that I can be of the least use to the Committee about it. I should like to hand this paragraph to the Secretary; I have no doubt others round the table have seen it and know much more about it than I do [*handing in same*].

26. We may leave that point perhaps. I think you said just now that you had made some calculations which you were prepared to give the Committee as to the risks which the State would be running?—Yes, I did. The results are rather interesting. If you look at paragraphs 241 and 242 of our report you will see what we say about it. The conclusion is that if 1 per cent. of our shipping were lost the cost would be £1,800,000, if 2½ per cent. were lost it would be £4,500,000, if 5 per cent. were lost it would be £9,000,000, and if 10 per cent. were lost it would be £18,000,000. I am told that the complete loss of shipping in any previous war, so far as calculations can be made, was never more than 5 per cent., and Captain Mahan calculates that there was not 5 per cent. or anything like it of the Federal shipping taken by the Confederate cruisers. That paragraph has been a good deal criticised, and some people have asked for the details. I have in my hand the exact calculation we made, and it is as follows:—

Our total foreign trade in 1903 was:	£
Imports (from foreign countries and British Possessions) - - - -	542,600,289
Exports (to ditto, ditto, including both British goods and foreign and Colonial re-exports) - - - -	360,373,672
Total - -	902,973,961
or, roughly,	£900,000,000.

We assume that about two-thirds of this was carried in British ships, or £600,000,000; and we are justified I think in that because of the total tonnage entered and cleared with cargo in 1903 in the United Kingdom ports about two-thirds was British. The total British tonnage entered and cleared at United Kingdom ports in 1903 was 58,000,000 tons, and as the cargo carried was worth £600,000,000 (as estimated above), the cargo carried per ton of British shipping $= \frac{£600,000,000}{58,000,000}$ or about £10 5s. The total British tonnage engaged in foreign trade in 1903 was 8,900,000 tons, which may be valued roughly at £10 per ton, and we have already calculated that the amount of cargo carried per ton of shipping = £10 5s. Therefore the total amount at risk would be—

	£
Value of shipping (10 × 8,900,000) =	89,000,000
,, ,, cargo (£10 5s. × 8,900,000) =	91,000,000
	£180,000,000

For the other calculations at 1 per cent., 2½ per cent. and 5 per cent. it is a simple matter of arithmetic. I should add that naturally I am not making myself responsible for those figures lightly, but I got my secretary, Mr. Clark, of the Board of Trade, who is now private secretary to Mr. Lloyd-George, to go into it with the officials at the Board of Trade, and these are the details of the calculation on which we found those two paragraphs.

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27. I would like to put one question as to that calculation. You arrive at the total value of British shipping afloat, and you add to it the value of the cargo at risk at any given moment; but is not the value of the cargo at stake on which the Government risk would be run, not the cargo afloat at any moment but the total amount of cargo afloat during the year?—I think not, because some cargoes would succeed others. The voyage does not last the whole year.

28. But the ship is the same ship, and the Government can only make a total loss on it once?—Yes.

29. The cargo is a different cargo each voyage; one cargo might get through and the next voyage the same ship might fail?—So far as it goes it tends to minimise my calculation, because if you have only lost one ship you can only lose one cargo.

30. Is there anything you would like to add, apart from the specific questions I have put to you?—There is one thing referring to Mr. Gow which I think would meet his objections. I speak of Mr. Gow with great respect, because he was an extremely able man, he gave his evidence very well indeed, and he thoroughly understood the subject. On page 324 of Vol. III., he took this objection, that, if a system of national insurance or indemnity were adopted—and these are his words—"It is perfectly evident that the most hazardous voyages would be selected by shipowners for the employment of their vessels." He says that it is difficult for an underwriter to realise that any system of insurance could exist without proper "classification of risks"; in other words, I understand him to mean, where the same rate of premium (or, as in the case of indemnity, no premium at all) is charged for voyages where the degree of risk would not be the same. I may just premise the explanation by saying we did not go into all these things in our report because we thought they were beyond our terms of reference; but as this evidence was given before us and may be referred to, I should like to give what seems to me to be the answer. I suggest there is some confusion in Mr. Gow's mind as to the result of this in inducing shipowners to select hazardous voyages by preference. I suppose that he means they would do so because such voyages would be the most profitable, and would allow them to charge the highest rates of freight. What he seems to me to forget is that the principal element in war freights would be the insurance against war risks, and that, *ex hypothesi*, if that is to be borne by the State there would, so far as war risk insurance is concerned, be no reason why shipowners should charge higher freights in war than they do in peace, and the same factor, namely, competition, would keep their charges down. In addition to that, I see no difficulty in the Government taking powers to receive complaints from shippers of excessive freight charges, and, if that was to be substantiated, to inform the shipowner that he would forfeit his right to indemnity, or to exact some other penalty.

31. That would be a large extension of the Government's duties, would it not?—It would be an extension, and I only put in it for your consideration. I do not think the thing will arise, because if you presume the case that I presume, that the shipowner is to obey the Admiralty as to directions, the Admiralty can get out of the question of the hazardous voyages by simply saying to him, "We do not choose you to go there just now; we do not pay for it."

32. (*Sir George Murray.*) That is a complete answer to the objection from the indemnity point of view, is if not, that the Admiralty control will be absolute?—I think so.

33. I gather that you do not think there is any substance in the objection which has been raised, that a system of national indemnity would be a special protection for the benefit of a particular industry at the expense of the whole community?—My answer is, that the safety of the State is the supreme law, and if it is necessary to us to get in our food, that must be risked; but I do not think it would occur, because if I am right, and all our shipping would be kept at sea, the natural competition of one shipowner with another would keep down the freight to the point of just enough profit.

34. And the moment you include the cargo as well as

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the ship in the indemnity, does not that become a justification for making it a national charge?—That is the great justification. It is only done to get the cargo, and the ship is the mere means of bringing the thing we want.

35. Therefore it should not be represented as a special benefit conferred on a particular industry?—Personally, I do not think so.

36. Have you considered whether the indemnity should cover trade between neutral ports in British ships?—You are taking me very far into international law. I would rather leave that to the skilled members of the committee.

37. I am putting it as a question of whether the indemnity should cover that kind of trade?—I am afraid that I have run away with the idea that this indemnity is as useful to us as a much stronger fleet would be; and so long as we can keep command of the sea, I think the moral effect of the indemnity in making things go on as they would in peace time is so great, and the risk of real loss so little, comparatively speaking, that I would risk a great deal for the sake of having a uniform scheme.

38. Would your uniform scheme include voyages of British ships between neutral ports?—It would have to, would it not, as far as the ship is concerned; or else the ship would be laid up?

39. That, of course, is one of the arguments in its favour?—I would say at once that the importance of the cargo going between two neutral places is not so great to our people as that you should make our taxpayers pay for it.

40. Then you would not include the cargo on these voyages in the indemnity, but only the ship?—At the moment, as you are asking me over the table, I do not think I would.

41. The probability is that the cargo would not be owned by British subjects in that case, is it not?—If it is owned by British subjects, of course, it is liable to capture.

42. And would you think it ought then to be covered by the indemnity?—May I take refuge in saying that that is rather a technical point which I have not really considered?

43. (*Mr. Lindley.*) One question with regard to the number of tons entered and cleared at United Kingdom ports in 1903, which you mentioned as being fifty-eight millions. That fifty-eight million tons would probably include, say, one ship coming in half-a-dozen times over?—I think so.

44. Therefore if any calculation is to be made with regard to the value of the shipping, that would have to be considerably reduced?—I think so. I would like to suggest to the Committee that they should not take these figures upon my reputation or credit. I only put them forward as being the details which seemed to justify our estimate. If the Committee think of going into the question, I should assume that, as a matter of course, they would call for their own estimate of the risks which the public were going to be asked to incur, and that they would have the command of the most recent figures at the Board of Trade.

45. The same remark, of course, applies to the amount of British tonnage engaged in foreign trade?—Certainly, that would be so.

46. (*Mr. Jackson.*) You mention that one of the conditions of the indemnity or insurance would be the strict observance by the shipowner of the instructions he would receive from the Admiralty; that would put the cargo, would it not, in a very awkward position, supposing for argument's sake the shipowner or the captain of the ship did not observe the Admiralty instructions?—I go back there at once and say that the shipowner must look after his own servants.

47. What about the cargo?—In course of time it would obviously work its own cure, because if a shipper found that a shipowner could not control his servants, and they would not do what they were bid, he would go to another shipowner.

48. But then the cargo would be lost already, would it not?—I can say in answer to that that if the cargo owner is perfectly innocent, if he has done his best, and taken all the precautions that he can, then I think he should get his indemnity. I do not think you should penalise a man unless it is his own fault. But if you find that the same cargo owner and the same shipowner were often having their servants running these sort of risks, I should strike them both off ruthlessly, because, after all, this is for national safety and not for the profit of an individual.

49. I take it, therefore, you would be of opinion that the owner of the cargo who is not responsible, who has no control over the shipowner or the captain of the ship, should be indemnified, even if the captain and the shipowner did not observe the Admiralty instructions?—I should certainly allow a first offence, but if I found a cargo owner repeatedly, say two or three times, coming for the same sort of indemnity for the same sort of cause, disobedience of regulations on the part of others, I should be inclined to take a rather severe view of him.

50. You said, I think, that you considered that imports coming in British ships would be considered as British cargo?—I did suggest that and put it forward.

51. Supposing it were argued that it was not British-owned cargo, would you still extend the indemnity to it?—I think so. Take the case of wheat. Supposing we were bringing wheat from America, there might be a point as to when the wheat became subject to capture, and when it was transferred to the ownership of the British subject from the American wheat merchant. I should indemnify for this reason—that after all we want the wheat, the overruling thing is that we must have it, and we cannot allow our people to starve while the question whom the wheat belongs to is being discussed by the Prize Court.

52. You would also apply that to exports from this country, would you not? You spoke of the expediency of indemnifying exported goods; do you not think that the same argument would apply there too? After all, we wish to keep our export trade also in full swing; do you not think therefore that indemnity should also be given to the owner of those exported goods as well as to the owner of imported goods?—Personally I do, subject to this—that if you get the name of piling up all that you are going to pay for, regardless of the feelings of the people who are going to pay for it, you may break down the whole scheme by the argument that we are running undue risks, and you may set people against what I believe to be a good scheme. If our calculations are right, that the real probability of capture is so small, as I think it is, then I think it would be better to take that risk rather than lose the export trade. I am tempted to refer to the paragraphs in the Report which attempt to argue the question of whether steam as against sail has not increased the chance of escape. Personally I think it has increased the chance of escape, and I set out the reasons there which influence my mind. They are the result of communications made by the Admiralty.

53. Although I do not wish to draw you into technicalities which you rather feel that you should not be taken into, may I carry that point a little further? You expressed an opinion in answer to Sir George Murray, but you gave it only as an expression of your personal opinion, that the insurance of cargo carried in British ships between two neutral ports should probably not be covered by the indemnity?—Yes, I did; on the assumption that the cargo in all probability would not be British-owned.

54. Is it not possible that a great deal of the cargo which goes between two neutral ports is eventually destined for the United Kingdom, and would it not be very difficult to define it so as to differentiate in any way between the two?—It may be so, but that is a question of exchange of trade on which I should not like to express an opinion.

55. Would it not also to a certain extent lay up those ships which were trading between those two ports?—Yes, except that if they could not trade between those two ports they would enter into competition to trade between British ports with British goods, and that would tend always to keep down the economic rise of freight which might be caused by the absorption of some of our shipping for war purposes, that is, for our own transport purposes.

56. (*Captain Ottley.*) What I understand from what you have told us already is that you are quite of the opinion that some form of national guarantee is desirable?—That is so.

57. And you have gone further than that; you have said that in your opinion the advantages of indemnity are very much greater than the advantages of insur-

ance, and therefore you think that indemnity pure and simple is the better scheme?—I think so.

58. I should like to go on, on that assumption, to ask you whether our scheme of indemnity or insurance, whatever it may be, should not be such as should give us what we want at the minimum cost to the taxpayer?—Clearly. I have enough sympathy with the Treasury to answer that at once in the affirmative.

59. Arising out of that question I should like to ask whether in your opinion, if the State made a guarantee of the kind which I am going to state directly to the shipping community at large, including the underwriters, the insurance agencies and the owners of ships, such a proposal as I suggest now would be sufficient to keep our shipping and our cargoes at sea. The proposal I suggest for your consideration is that the State should say frankly to the whole shipping community, We are prepared to pay every *bona-fide* loss on a ship that is lost, either captured by the enemy or driven on shore by the enemy, and on the cargo that it contains, so far as that cargo is liable to capture—in other words, so far as that cargo is British-owned. I ask you whether you think that such a guarantee as that would be sufficient for the purpose in view? I suggest for your consideration that if possible it would be a most enormous advantage to us from the economic standpoint if all the other subsidiary risks were thrown to the winds, or rather were left to be insured against between the insurance agencies and the shipowners themselves?—May I ask what you mean by "all the other subsidiary risks"?

60. I think I should describe demurrage, for instance, under that head, and loss of markets, by having to diverge, and so on. What I ask you to give your opinion to the Committee upon is whether you think if the Government took the larger risk, that is the risk of capture, that then the subsidiary risks which would be left to underwriters and insurance agencies would be of such a comparatively small amount as to enable our shipping to continue running in war without being driven off the markets by neutral competition?—If I was quite sure that it would be comparatively small I should answer your question in the affirmative without qualification, because I am one of those who are extremely anxious to leave everything that is possible to individual action rather than to State action. I always think, if I may say so, that there is a strong presumption against State action if you can get the individual to do it. The only qualification I make is, are you sure that these other risks will be so small that the risk of demurrage and of the other things will not be put in by the insurer at such a premium as will tend to defeat the real object you have in view, which is to cut away from the alarmist people any excuse for saying the Navy is not big enough and you must spend another million a year on the Navy? It is not certain that we shall be able, under all circumstances, to avoid a disaster everywhere. I suggest this particular idea of an indemnity as the cheapest method of getting rid of war scares.

61. I quite understand that you would give an unhesitating affirmative reply to the proposal that the State should limit its insurance to the actual net capital loss on a ship and its cargo if the indemnity offered by the State was sufficient to keep the ships at sea. If the Government took this large capital risk, namely, the risk of a large loss of capital due to the destruction or capture of a ship, and the destruction or capture of the cargo, the question for the experts is then whether, if the State took that, there would remain risks of so serious a character as to make it practically impossible for British shipping to keep at sea?—That is, of course, a point of difficulty. Our double object is to keep the ships at sea and to get the stuff in, and my test of the efficiency of your scheme is whether it will really produce such confidence in the ship-owning and cargo-owning mind as will make things go on during war as near as possible as they do in times of peace.

62. Will you assume for the moment that there is that case which I have stated, and it is agreed by experts to be a sufficiently good one? The insurance agencies perhaps would tell us that whereas in any individual case the war risk would be 5 per cent. upon ship and cargo, when you have done away with the risk of actual capture or actual destruction it would fall, we will suppose, to 1 per cent., which perhaps the experts would tell us is a sufficient fall in the rate of insurance to enable British shipping to compete. What should you say upon that?—If your hypothesis is correct, I should say yes, but you must make sure that your hypothesis is correct.

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63. I agree. We have just had in the Intelligence Department of the Admiralty a most interesting case of insurance very much on the lines of the alternative scheme to yours—the scheme which, I quite understand, you do not advocate. The Admiralty, in point of fact, took advantage of a huge insurance policy for £10,000,000 to insure the shipping which took part in the naval manœuvres this year against not actual war risks, but against some of the risks which were inherent in the manœuvres which took place during this year. In effecting that insurance we found that the difficulties were very great. We found that whereas concrete cases which could be settled by the Admiralty themselves without going to the insurance agencies were easily settled; one particular case occurred where a ship diverging from her course came into collision with another vessel. This risk, we were told, was part and parcel of the manœuvre risks; and that one single case which has had to be settled by the insurance agencies has absolutely defeated the purposes of the Admiralty at the present moment, and we have not been able to carry it out. We think, as arising out of that, the difficulty of insuring the whole of the British mercantile marine will be an enormous one, and we want if we can to avoid that. I would ask you first whether you think it would be possible for the Government to merely make this announcement to the mercantile marine at large in time of peace, We will indemnify you against the risks of capture and the risks of destruction, but against no other risks; and then do you think if that were done it would be possible to let the insurance agencies and the underwriters and the shippers, as between themselves now in time of peace, to settle upon the forms of insurance policy for the remaining war risks? Would that be a practicable scheme?—I do not see how you can divide war risks into two classes without great risk of dispute and difference of opinion. If you are to get into an argument between the Admiralty (or the Treasury or whatever Department it is that has to pay) and the private companies that have insured, I am afraid the Government will come out second best, and great delay will occur. I do want to press this point very strongly, that one of the chief advantages of such a scheme as generally is put forth in these papers seems to me to be that you would have great promptitude of payment. I am certain that the shipping community will value immensely great promptitude of payment, instead of having to fight and haggle over the claims. They want to get on with their business, and they want to put out their money again in a way to earn a profit upon it, and if they have to fight technicalities of claim I am sure that will defeat the object.

64. That rather brings us back to the position which the Admiralty have already taken up. The Admiralty find that where the question has to be settled outside the Little Claims Committee (it seems to me that it would be so under all the schemes we could have), the moment these claims have to be settled outside the Little Claims Committee you get all these delays. The Admiralty, I feel sure, would like to ask you whether you think this concrete loss, the loss of the ship and cargo, would be sufficient?—I do not like to express an opinion further.

65. (*Chairman.*) In answer to Sir George Murray you used the phrase, I think, that you regarded a scheme of indemnity of this kind as being as useful to us as a much stronger fleet?—Yes, I did.

66. I am not certain whether I rightly understood that as being explained by a later answer to Captain Ottley, in which you suggested this as the cheapest method of meeting scares?—I will put it briefly in this way, that I think unless the fleet is maintained at what I call and suggest is an extravagantly high rate compared with others, you will be liable from time to time to scares on the food point, because at certain seasons of the year the supply of food in this country gets down at its worst to merely enough for six or seven weeks, that is generally in June, July, or August, just before our harvest. It does not do so at other times of the year, but you will be liable at times to this sort of panic. Of course, I am now going very far into policy, but it seems to me that it is bad economy to be raising and lowering expenditure by

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the Admiralty in consequence of these sort of panics, which no Government can always very well resist.

67. At any rate, your answer pre-supposes the existence of a sufficiently strong fleet?—I start on the assumption that that is what underlay the reference to me, that the fleet is to be strong enough in the opinion of our advisers to maintain the command of the sea. It is not to be, as I understand it, so strong as that we are never under any circumstances to expect a single ship to be captured; but it follows obviously that if our fleet were mastered there would almost certainly be a scare. That is argued very fully in the Duke of Sutherland's and Mr. Chaplin's Reservations from our Report. I do not mean so strong a fleet as that we are never to suffer a reverse under any circumstances, because if it were to be so we should never be able to take a forward policy for fear of a reverse; but, generally speaking, I should say strong enough to maintain the command of the sea.

SECOND DAY.

Tuesday, 11*th December* 1906.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. THOMAS GIBSON BOWLES, called and examined.

Mr. T. G. Bowles.

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Mr. Bowles, in a preliminary memorandum,* had submitted:—

(1) That the apprehension that in war British merchant ships would be driven off the seas, and would be transferred to neutrals, that freights and insurance would rise, that supplies of food and raw materials would be stopped, and that a rise in prices would result, originates in the second Article of the Declaration of Paris (1856). It is assumed that the Declaration of Paris would subsist in war.

(2) That the decision of the Privy Council in the "Baltica" case is conclusive in showing that there would be no legal difficulties in the way of transfers from the British register.

(3) That the need for a National Indemnity is a question of prices.

(4) That specific wars with specific single States must be considered separately in order to test the need for an indemnity, and that the conditions that are to be expected in the case of war with the United States, France or Germany, deserve special consideration.

(5) That the apprehensions that freights, insurance and prices will rise, and that British vessels will therefore be transferred, do not consist with each other, since if freights rise, British vessels will not be transferred, and if vessels are transferred freights will fall.

(6) That a rise in freights does not necessarily mean dearer food, and that prices in general do not necessarily rise in time of war.

(7) That indemnity would only mean a transfer of the burden; that war premiums are not always exaggerated; that it is less equitable that the taxpayer should pay the cost than the consumer; that the rise in prices will not be prevented; that the mischief of free ships, free goods will remain; and that indemnity will not prevent loss, but encourage it.

(8) That the annual charge for the naked war risk on 1 per cent. of losses would amount to £28,000,000.

(9) That an increase in the Navy would be more effective than an indemnity.

(10) That a State Indemnity Department would be inadequately worked, and liable to be defrauded.

68. (*Chairman.*) You have given considerable attention, I think, to the laws of maritime warfare?—I have.

69. And you have formed very strong opinions upon the subject?—Well, definite opinions.

70. I need not tell you that we are not empowered to consider such questions as the wisdom or otherwise of our Government having acceded to the Declaration of Paris; we are only concerned with the effects of war under the present international position?—I quite understand that.

71. The suggestion which has been referred to our Committee is that the State should make good to British shipowners and shippers the losses which they incur in war when their own State is a belligerent. I think that is a comparatively novel suggestion, is it not?—It is quite novel, I think. Hitherto it has been held that all the loss the subject incidentally incurred whether of his property or of his life, through the existence of war, must fall upon him. If a man were a citizen of a bombarded town, and were killed by an enemy's shell, or if his property were devastated by that shell, it has always been understood to be his loss, which, as a good citizen, he must hold to be his own as a sacrifice to the State. This suggestion, therefore, I think is quite new.

72. The suggestion is that under the conditions of modern warfare there would be a great danger at once of the transfer of British shipping to a foreign flag, and, partly as a result of that, of a great rise in

* *Vide*, note p. iii.

freights, and, consequently, in the price of food and raw materials. Have you been led to study that question?—Yes. The question of the transfer of British ships in case of war to a neutral flag arose really the moment the Declaration of Paris was signed—in 1856. Previously to that Declaration a British ship was just as safe or as unsafe for British goods which were enemy goods as a neutral, and the goods were equally liable to capture under either. Therefore the question of the possible general transfer only arose when it was agreed that the neutral flag should cover the cargo; that immediately gave a very great advantage to the neutral ship in case of war.

73. We are obliged to assume, for the purposes of our inquiry, that the Declaration of Paris will remain unaltered?—I quite accept that situation. I understand it is the position that the Committee takes up.

74. What, in your opinion, is the danger of transfer?—I have ventured to give you a paper which I have written which really contains the whole of my considered views upon this subject. I have been down in the country, being one of the unemployed, and I have been able to give considerable attention to it. I have gone very thoroughly into it. That paper really represents the whole of my view. With regard to the possible transfer of English-carrying ships, merchant ships, to the neutral in time of war, I must begin by saying that this word "war" is used in far too general a sense. People talk of war—some of them—as though we were to be at war with the whole world—a thing which, I think, never was possible for long with England, and which is less possible now than it was at any time. England never was at war for more than six months or a year without drawing to herself allies; and the probability that that would be so is greater now than ever it was before, in my opinion. But even if I am wrong there, you must consider what particular war you have in your mind. Wars differ infinitely, and that which would be a great danger in one war would be of no danger at all in another. If you were at war with Greece—I am repeating a good deal that will be found in my paper—if you were at war with Venezuela, or if you were at war with Turkey, in my opinion there would be no danger whatever of any transfer of British ships to a neutral flag, because of the danger they would be under from the enemy. But if you were at war with other Powers, the thing might be wholly different. I conceive, therefore, that before I am asked, or anybody can be asked, to say what the danger would be of the transfer of English ships to neutral flags in time of war, I must be told what war you mean. In the consideration I have given to the subject I have ventured to go into the question of certain different wars. I put aside as a determining cause for the transfer of English ships almost all the Powers of Europe. If you were at war with Austria, I do not think there would be any danger of any transfer of English ships to neutral flags; there would be very little with Italy; there would be a very great deal with France; there would be enormous danger in the case of the United States; and there would be a very considerable danger in the case of war with Germany. So that you see my answer must be special. When I am asked what I consider is the danger of this transfer I must make it depend entirely upon the particular war. This much I will say: That I think the danger of transfer has been represented as greater than it is, and I think it has been dealt with too generally—that is to say, gentlemen who have spoken of it seem to have had in their minds war in general, and preferentially war with the whole world, and they have assumed the danger to be equal always. I think there is a great danger in certain instances; but even in those I do not think it is so very immense, nor would it be so very fatal as many persons think, or as even I myself had thought before I came closely to the subject.

75. Perhaps you could make your views on the question of the risk clearer by taking one or two specific cases and developing them more fully?—That our merchant ships would in fact be largely transferred to neutrals on the outbreak of any war whatever is to me inconceivable. That they would be so transferred in the case of a war with any important European power, which I think is what the Committee of the House of Commons of 1860 suggested, say with Austria alone, with Italy alone, or even with Germany alone, is in my mind unlikely. That such a transfer would, however, be made in the case of a war in which the United States or France were among our opponents is more than probable. First of all I perhaps may deal with the difficulties that have been suggested in transfer. I think Professor Holland rather suggested that the difficulties of transfer would be so great as in themselves to be a bar to such a transfer. I think that is entirely untenable. The legal difficulty does really not exist. The Privy Council decided in the case of the "Baltica" in the Russian war that a good transfer was made. Now the "Baltica" left Libau in war and went to Copenhagen and was transferred during her transit while she was on the seas, *flagrante bello* as they call it—in an open state of war. She was taken in possession by the neutral to Copenhagen, was sent to England, and was captured on her way. The Privy Council ordered her restitution on the ground that the transfer was good. I am speaking from memory, but I believe I am accurately representing the case. The legal difficulty does not really exist. As to the financial difficulty it has been suggested that it would be difficult for people to find the money to buy all these ships. But the transaction would finance itself on the supposition that is made, because the supposition that is made is, here is a great trade to be done, the ships which ordinarily do it are laid up through being unable to sail under the belligerent flag, and they are to be had cheap. Therefore there would be no financial difficulty whatever. In adition to that there is this fact—I am still on the point of difficulties—that this very transfer was made in 1898 by the United States. I read in Mr. Wilson's book, "The Downfall of Spain," that on the outbreak of war the insurance rates on American vessels ran up as much as 50 per cent., and that for a very special reason, namely, because Spain had not signed the Declaration of Paris, and therefore was able to send out privateers. The Americans consequently felt that there was a special danger to their ships from Spain, because although Spain had not great naval power she might send out quasi-naval ships, privateers, which, by the way, are really public ships, as they carry a public commission, and so forth. The insurance on American vessels, as I say, ran up to 50 per cent.; and then Mr. Wilson points out that a considerable proportion of the American vessels were taken into the Government service as auxiliaries of some sort—transports, and so forth. Then he says this: "The few ships of the American lines running to Europe were transferred to a foreign flag, the Belgian." I submit that there is no legal difficulty, that there is no financial difficulty, and that, as a matter of fact, there is no difficulty at all, as shown by that immediate transfer of the American liners to the Belgian flag. It is quite clear, I think, that this Committee owes its existence to the assumption that our vessels could be and would be so transferred in time of war. The suggestion is that the British ship could not continue running, and that she would consequently have to be transferred, and that, as a result of all that, freights would rise, insurances having already risen and determined the transfer, and prices would rise. I think that must be the assumption, because on the contrary supposition there is no case for a national indemnity. If British ships were not transferred—if they continued to be run as usual, and, as usual, brought up supplies—there would be nobody to indemnify. If they do continue running it must be because they continue to get cargoes. If they continue to get cargoes, it must be that both the ship and the cargo feel that the risk is not so great as to prevent them from facing it. So I respectfully submit to this Committee that it does follow that this Committee is investigating the matter on the supposition that that transfer will be generally made. But at the last what does it come to? It is not the transfer that we should mind, if it did not affect prices, nor the rise in insurance if that did not affect prices, nor anything else. Assume that the gravest apprehensions of the most timid person have been realised, and that our ships were transferrd in whole or in part, owing to the insurance, and all that; that would not affect us, nor, I submit, would it affect the final thing this Committee has in view, if prices did not rise. Prices is the whole question.

76. Not quite the whole question, is it? It was the

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whole question before Lord Balfour of Burleigh's Commission on the Supply of Food and Raw Material in Time of War, you may say; but the question of the loss of the British mercantile marine by transfer is a distinct question. Suppose prices did not rise, that freights were not proportionate to the risks run under the British flag, and that therefore the vessels were transferred to neutrals, but the goods still came in and prices were still being kept down, yet the British mercantile marine might have ceased to exist?—Certainly. If this were a Committee to consider a special indemnity for shipowners there would be something to be said for indemnifying the shipowner, even though nobody else required indemnification. But I understand the scope of this Committee to be wider than that. I understand it to be really to deal with a national loss, and not with a loss of a class of merchants or of shipowners. The picture presented to my mind, in short, after reading not only the whole of the evidence before the Royal Commission, but the suggestions that have been made, is that of this country, being in a state of war, receiving all its supplies undiminished, and consequently, I assume, necessarily at the same price. "All its supplies undiminished," and "no diminution," I think are the terms used by the Royal Commission. There will be the same supplies, the same prices, but a great feeling of apprehension, which it is desired to meet by national indemnity. I, for myself, cannot conceive that on that assumption there is a great case for the indemnity. It seems to me entirely to resolve itself into a question of prices. If you have the same prices, it does not seem to me a right thing to deal with the scare that might arise from an apprehension of a rise in prices. Therefore I submit to this Committee that it is at last a question of prices. If freights are not likely to be doubled or trebled, nor prices likely to rise to the famine level often predicted, the gravity of the question is greatly lessened. If they are not likely to rise greatly or for more than a short time, the question becomes of small importance compared with those other questions that every war must raise. If they are not likely to rise at all, it becomes of no importance whatever. All this, again, as I have said, resolves itself into the question of whether we shall get our supplies practically undiminished, for if we do prices cannot reasonably be expected to rise. Price, therefore, in my view is the final point. Now we have to ask whether war would stop our supplies of food or raw material; whether, either through captures by the enemy or by the laying up of our own ships or their transfer, the war would so diminish our supplies as to cause a distressing rise in their prices; and whether in that case national indemnity is a good way of meeting it. To every one of those questions I think it right to tell the Committee that, in my opinion, a generally negative answer must be given, although with important exceptions. Here again I come to the war. The case will vary with every war, and we must ask, therefore, what war? Here again another *caveat* has to be made. For nearly a century we have not known what real war is—war which put a stress upon us which involved our lives and our fortunes. Such a war has not been known since the end of the great French War. When we did know such a war we waged it under the old conditions, which exposed to our naval power the whole of the sea-borne trade of the enemy, which made a British ship carrying British merchandise as safe, or as unsafe, if you please, as a neutral ship—at any rate, put the two upon the same ground, and therefore as yet unexposed to the special risk now imposed upon it. These old conditions of war, in fact, resulted, after 20 years, not in any loss of British shipping or trade but in the doubling of both the shipping and the trade, while the shipping and the trade of the enemy were lessened by two-thirds, and for the time ruined. The experience of our next war will be different. It will be waged under new rules. We are therefore—and this is my excuse for any uncertainty there may be in my conception of the circumstances of the next war—mainly reduced to conjecture in seeking to determine what the state of things will be under the new rules. Now as to the word "war." As I have already said, it is spoken of very vaguely and very generally, as though it implied war between Great Britain and the whole of the world at once. That I think is quite inconceivable, and history shows, and the present political pressures and necessities and conditions show, that England would never long be at war without having an ally at her side against her enemy, whoever that might be. Therefore that is the first qualification. It will not be war against the whole world, and it will be a war with a strong probability of an early ally. I have got to imagine a war, and that I conceive for these purposes must be imagined to be a war with one single considerable State. There are, of course, other things which we must reject. There is the probability of its effect in gaining allies to us. Great as that is, it must be left aside I think. Then there is the further effect of the war in bringing upon us a land war on our vast frontiers in India and in Canada. That, I think, for these purposes must be left aside. I therefore am driven to conceive of a maritime war alone waged with a single State of such importance as would raise these questions. If the Committee has done me the honour to follow me it will see that I have gone upon a process of eliminating everything but that which will really raise the question before us. When this is done, I think we may perhaps arrive at some forecast. I exclude the smaller States, such as Greece, or Venezula, or even Turkey. I exclude also Russia, Austria, and Italy, because none of those would really raise this question in an acute form. Then, on the same ground and on other grounds, too, I exclude Holland, Denmark, Norway and Sweden. We must exclude Portugal because Portugal is inconceivable as an enemy; we have guaranteed the whole of the Portuguese possessions not only in Europe but over the whole world. Belgium, too, necessarily must be excluded because we have guaranteed her neutrality. We are left then with three principal Powers to consider—the United States, France, and Germany. I think that those wars would differ vastly in their general effect and their special effect as regards the transfer of British shipping. War with the United States, to my mind, would be by far the most serious of all. Their enormous sea-board, full of splendid ports on two oceans, their enterprise and ability, and the fact that they are not bound to the Declaration of Paris, which therefore would enable them to send out privateers under the old plan—the very reason why they refused the Declaration may be taken as a mark of their desire to preserve privateering—all those would give them great power against our carrying and carried trade. They could commission privateers under the old form, and they could capture British goods under the neutral flag. We, being bound, as they are not, by the Declaration could not retaliate by capturing American goods under the neutral flag, because, although we are not bound as towards America, we are bound as towards all the neutral Powers.

77. Are you bearing in mind the practice of the United States in the Spanish-American war?—Completely.

78. My impression is that though not bound by treaty, they did bind themselves by declaration on the outbreak of the war to act as if they adhered to the Declaration of Paris?—Yes; they waived the right for the duration of the war, but they maintained it. So did Spain. Both maintained their position as non-signatories of the Declaration of Paris, but both separately declared that for the moment they would waive their right. In the case of Spain, the temporary waiver was accompanied by a declaration of the permanent maintenance of the principle of the right to issue privateers. But to return to America. The United States if at war with us could capture English goods in a Belgian ship, but Great Britain could not capture American goods in a Belgian ship, because she is bound as towards Belgium, and also because at such a moment when at war with the United States England would certainly be looking for allies, and if any such ally was to be found it must be among the neutral States. Therefore England could not practically, in my opinion, exercise the old right of capturing American goods under a neutral flag. This, therefore, would give the United States, as I think the Committee will see if I have made myself clear, a stupendous advantage against England in a maritime war. That is why I think a war with the United States would be by far the most serious maritime war that we could face. But even that war would not stop our supplies. No war with any nation could stop the supplies coming to these islands—the avenues are too wide, as I shall show you a little later on. To come

back, this war would be the most serious, in my opinion, that we could engage in; and I am glad to see that, in the opinion of the experts at the Admiralty, this war is considered highly improbable. The Admiralty have given up all its stations on both sides of North America, and I conceive that is an indication that whatever other war we may fear, we need not fear one with the United States. Then I want to mention in passing the possibility of a war with Spain, only because in respect of the law of nations Spain would be exactly in the same position as the United States. Spain also is not bound by the Declaration. Spain also, therefore, could issue privateers. Spain also would have the right to capture our goods under the neutral flag, and we could not capture hers. But Spain has not the resources nor the energy of the United States, and Spain, therefore, I do not regard as a very serious enemy, although she would become one if she were in alliance with an astute enemy like the Germans. She would become then a very serious and formidable adversary on the seas. She has a splendid coast-line and beautiful ports, and she has these legal advantages. As the Committee will see, I have only spoken of Spain in order to dismiss her. There are great possibilities in a war with Spain in which Spain should be directed by an astute ally; but war with Spain alone I think may be dismissed. Then I come to war with France. War with France would be the next most dangerous war for us after that with the United States. She, too, has a grand sea-board on the Atlantic and on the Mediterranean. She has beautiful ports, splendid ports, although none on the Channel, none, indeed, until you get to Brest; but still from there there is a succession of magnificent ports in both seas. Then she has an unbroken and very fine naval tradition to which I, for one, attach the very greatest importance. To my mind Germany has no such fine naval tradition as France has, or as England has. But France has that tradition, and she, therefore, would be a very formidable antagonist at sea. But here again, for other reasons, I think a war with France, quite apart from the present *entente*, highly improbable. France has two things which prevent her, while they exist together, from going to war with anybody except for the defence of her territory. She has got universal military service, and she has got universal suffrage. The man that votes, therefore, is the man that has to fight—the same man. He therefore always votes against fighting; and I do not believe any French Ministry could live a fortnight that went to war for anything else than the defence of the territory, unless, indeed, there was some unexpected and certain chance of getting back Alsace-Lorraine, in which case the thing would alter.

79.* In the case of a war with France, would you distinguish as to what part of our imports would run risks?—Yes. There, I think, as I shall endeavour to show to the Committee, there would be no closing of our doors. In case of war with France, certainly the price of wines, silks, fancy goods, and all the fancy things that we get from France would rise, but I see no probability of a rise in the price of food or of raw material generally. Then I come to war with Germany. That I put third in importance for many reasons. Germany has not above 200 miles of sea-coast on the ocean; her other 800 or 900 miles (I suppose) on the Baltic is a very bad sea-coast, and is behind the Sound or the Kiel Canal, which comes into the sea, as the Committee know, in the Elbe, and therefore that is one door. Her coast-line is small, her ports are bad, and they are few; and that is very important. In addition to that, the German Navy, though it is very formidable in numbers and in equipment, and the men are well trained, still lacks what is essential to a navy—naval tradition. They have none of the old seamen traditions, and in my opinion it takes a long time in order to form those. If Germany were doubled with Holland she would be doubled in importance without adding materially to her fleet, because then she would have that grand Dutch nation incorporated with her, with all their seamanlike qualities and traditions. Germany with her powerful and growing Navy admirably equipped is still deficient in the slow-growing naval and seamanlike traditions; but her future is said to be on the seas. She has claimed the trident—the trident must be in her fist we are told; and she has claimed the Admiralty of the Atlantic. In addition to this, I cannot avoid seeing that all the recent redistribution of our fleet tends to a belief that there will be a danger to us in the North Sea which did not previously exist, or which, if it did exist, has become greater recently. Since, therefore, I have got to imagine some specific war, I take war with Germany, a war single-handed, the rest of the world remaining neutral, and a war which might last three, four, or five years. As I have already said, if Germany were doubled by Holland, then, indeed, the case would be very serious; then I should put the two on a level with France; but Germany alone I consider comes third. What is going to happen to us in the case of a war with Germany? I do not believe myself that there would be a great transfer of British ships to the neutral flag in case of a war with Germany. This is one of the curious things, that although privateering is declared to be abolished, it is not abolished, because it has been revived under the form of an auxiliary fleet. In the war of 1870 the Prussians formed an auxiliary fleet, and the Russians, as you know, have formed an auxiliary fleet, and in no essential particular would the vessels or the officers of this auxiliary fleet differ from privateers except in this, that they would be commanded by officers nominally as well as really naval officers. That is the only difference, and in all essentials they resemble privateers. They, like the privateer, must have a commission; they, like the privateer, are public and not private ships; they, like the privateer, bring in prizes which, as in the case of the privateer, enure to the Crown of the country, and may then be distributed as a reward to their crews in any proportion that may be determined. Therefore we shall always be exposed to privateering under its new form, the auxiliary fleet so called. It has always been one of my objections to the Declaration of Paris that we did not get the price supposed to be paid for it, which was the abolition of privateers. But they would not hurt us much with that, for the reason that I have already stated. They have a small poor coast-line with few ports, which on the whole are bad ports—ports which we could I think watch without a great deal of difficulty. I do not believe myself that even in the modern form their privateers would do us much harm, nor do I think their cruisers would. The Admiralty has I am sure very able strategists, and I conceive that one of the first duties of the Admiralty would be to have its eye upon every dangerous German cruiser all over the world—it has its eye on them I suppose at this very moment—and to be ready on the outbreak of war to hunt her down, run her out of coal, capture her and dispose of her finally by one of our cruisers. I venture to say that if the Admiralty does not do its work—and this is an essential part of it—and if it is found at any time that it has not done its work, I hope it would not be an Admiral but the First Lord that we should hang this time. I have dealt with the direct danger of the capture of our merchantmen. Now I come to the other danger of the stoppage of our supplies through fear of capture or hindrance of some sort. I boldly say that it is impossible to stop the supplies of this country. I say that the avenues through which these islands are approached are so large and so numerous that the whole navies of the world could not stop them. Nature protects us. The great avenues of approach to the British Islands—I call them avenues, but they are more than that—are wide indeed. From Norway to the Orkneys is 300 miles. From the Orkneys to the northern end of Ireland is 350 miles. From the northern end of Ireland to Cape Clear at its southern end is 300 miles. From Cape Clear to the Scilly Islands is 150 miles, and from the Scilly Islands to Ushant is 100 miles. This makes altogether 1,200 miles of sea, every mile of which must be stopped before you can prevent access to the British Islands; and that is the shortest line you have got to watch, observe. I therefore feel perfectly certain that whatever the war is—and I am now on a war with Germany—under no circumstances in any war whatever could access to these islands be effectually stopped. With a British fleet of preponderating strength on the sea and with moderately capable strategists at the Admiralty, even so much as any serious interruption of seaborne supplies is in the war supposed, war with Germany, almost unthinkable.

80. You would admit, would you not, that a very small percentage of loss might produce a very great result upon price?—No, I think not. I think a very small loss would produce a very immediate and startling effect upon the rate of insurance, but as

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soon as the vessel that had captured or sunk ours was captured or sunk by one of our cruisers, the insurance would fall like a stone again immediately. Price, I think, would not be affected by a few small captures.

81. Let me put my question in another way. A very small shortage in supplies would send up the price out of all proportion to the extent of the shortage, would it not?—It might for a certain time. I confess I do anticipate that there would be a jump up, but there would be an equally quick jump down. After all we are dealing not with a week or two or a month or two, but with a year or two rather. In the year or two, I submit, that if the supplies are not diminished the prices on the whole will be unaffected. As you know, in time of peace prices vary; and they vary from an infinity of circumstances. Now we come to the protective power, which I venture to think is the most important of all considerations—the Navy. I expect the Navy to do its duty, and I believe that it is equal to the doing of that duty. I anticipate that if war were to break out with Germany, in a fortnight's time we should have got hold of every German cruiser that could in any way affect our commerce, or made her harmless somehow or other. Therefore, as the Committee will see, I neither believe that any of our supplies could be interrupted, nor do I believe that in the war that we have under consideration, war with Germany single-handed, such an effect could be produced by the Germans, either by means of the new form of privateer or by means of their cruisers, upon our seaborne trade as to necessitate a general transfer of our ships to the neutral flag. I may be wrong, but that is the conclusion that I have come to myself, and I believe the actual experience of actual war will bear it out.

82. So that your conclusion on the question of transfer is that there is no serious difficulty in the way of transfer?—Yes.

83. But that on the other hand it is almost inconceivable that circumstances should produce such a transfer?—In the case of war with Germany. But I make a difference. In the case of war with France or the United States I think there would be very considerable danger; but I am dealing now with the war to which I have reduced myself. As I said, I am profoundly convinced that in point of numbers the British Navy at this moment is, as it was not ten years ago I think, perfectly adequate to deal with all the questions that could arise on the sea in the case of a war with Germany, which I am still holding on to. I do not think it is necessary to go into the question (as to which I have grave doubts) as to whether the new system of training officers, and the new system of keeping men in barracks is good; but as regards the numbers, assuming that they are properly handled and the vessels properly manned, I believe the numbers are perfectly adequate.

84. For the purposes of this Committee we must assume an adequate Navy, I think?—Yes, I think so; but I would venture to submit to the Committee that it might be necessary not to asume it. However, the apprehension is that, in spite of all, although we believe in our adequate Navy, British freights would rise, insurance would rise, the prices of sea-borne stuff would consequently rise, and British merchantmen would largely be driven from the sea and either laid up or transferred to countries whose rates of insurance would be lower, since their flag covers enemy cargo, which the British flag will not do. Now, the reflection occurs that some of these apprehensions are scarcely consistent with each other. If British freights rise, that, surely, would induce not fewer but more British vessels to keep the seas. On the other hand, if British insurance so rises as to drive cargoes from British to neutral ships, then British freights must probably fall. But the final, the principal danger apprehended in war, surely—the principal thing with which this Committee has to deal—is neither freight nor insurance, but prices only. Scare is insufficient. I cannot imagine a position in which we are to have all our supplies in the same quantity and at the same price, and yet be called upon to incur a tremendous additional tax, or even a small additional tax, for the satisfaction of silly people who are scared without any ground for being so. If freights alone rose, or even if both freights and insurance rose, without resulting in a rise of prices, nobody would be injured; on the contrary, shipowners and underwriters would increase in prosperity, while the consumers and the nation at large would be left unaffected. It is therefore only to the apprehended rise in the price of food and of raw material that I submit attention need be given. This apprehension of rise in price is very great, according to the evidence given before the Royal Commission. Authorities in the corn trade think that on a declaration of war prices might easily run up to 100s., or even 200s., per quarter for wheat. In any case, it is almost universally assumed that even if the rise were not so great as this, it would be great enough to cause much suffering to the poorer classes; and hence the desire to do something with "a view to keeping down prices," and of keeping them at a steady level. Here, again, I submit the whole question is narrowed to one of prices, which, I think, may be again narrowed to that of prices on articles of prime necessity—articles of food, and articles of prime necessity in the way of raw material—cotton, for instance. I do not think this Committee could entertain a proposal to tax the subject at large in order to keep up the supply of ostrich feathers or perfumery. There is no distress in the loss of those. There is a something, perhaps, to be said on the ground of the price of raw material and of food. Now, with regard to freights, as I have already said, if the freights rose, that would make it easier for the British ship to continue running. She would have an extra freight for the extra risk—the kind of thing which the British shipowner is always prepared to take. It is a fall in freights that would induce British ships to cease running or to transfer to the neutral.

85. Or may I suggest a failure of freights to rise, coupled with a rise in insurance?—Yes.

86. That is to say, a rise in cost without an equal rise in remuneration?—Quite so; I am coming to insurance. As regards freights alone, if your freights rise surely you will go on running, and as regards freights alone, if your freights fall you will stop running. Then I come to insurance. Insurance affects much more the goods than the shipowner. Suppose insurance to be doubled, trebled, or quadrupled, that, at least, comes to a question of extra price, does it not? Really, the more one thinks about it the more one sees that the question of price is the real final determining point that has to be considered. Does a rise in freights mean a rise in the price of food? Not necessarily. In the South African war freights went up all round from 50 per cent. to 100 per cent. on 85 per cent. of the vessels; but corn went down. The price of wheat went down from 27s. 4d. in October, 1899, to 26s. 11. for the whole year of 1900. The Committee will, of course, understand that I am not pressing this argument; I am only showing that it does not necessarily follow that because freights rise prices will rise. I put it no higher than that.

87. (*Sir George Murray.*) Other things being equal they will rise, will they not?—They might. But you cannot make other things equal; prices contain an infinity of circumstances.

88. You have quoted the South African War, but the explanation probably is that other things were not equal then; is not that so?—I think that is the explanation, and I may almost go so far as to say that other things never are equal. Prices depend upon an infinite variety of circumstances. Now, as to prices generally, and the effect upon them of war: With great respect to the corn trade authorities that I have quoted on this point of prices, who think that corn might go up to 100s., or even 200s., per quarter—I suppose it is about 27s. or 28s. now—with great respect to them, I venture to submit that it is by no means certain that on the outbreak of war prices would necessarily rise, or that even at the end of, say, five or six years of war, they would be any higher than they are now, or than they were at the outbreak of war. Here I am obliged to traverse a good many of the facts that were placed before the Commission. Upon the authority of the only man whose authority is of any value, Mr. Tooke, in his "History of Prices," they were led to believe, and I am sure the gentlemen who quoted Mr. Tooke themselves believed, that the effect of the great French war was to produce a very great rise in prices. Here, I think, they are mistaken. I think Mr. Tooke's statistics, which are very numerous and very complete and very authoritative, have been misunderstood, as statistics are very apt to be. They have been given without their necessary qualifications and in a form which renders them misleading. I am going to quote Mr. Tooke himself. He says, in

volume 1, page 97, "It will appear, on reference to former periods of our history, that there is no observable coincidence of a rise of prices during war and a fall during peace. On the contrary, it so happens that in the case of the agricultural produce of this country there was for upwards of 100 years previous to 1793"—which was when the French war broke out, you know—"as low a range of prices during periods of war as during the intervals of peace. This has been eminently the case with respect to wheat." Mr. Tooke only excepts from this general rule "articles subject to a tax, such as malt," to "increased charges of importation, such as colonial and foreign produce," or to "extra demand for naval or military stores." The general rule, he states, as I have quoted, and he supports it by statistics, running from the year 1688 to the year 1783. He especially insists upon it in the case of provisions in general, using these words: "The prices of meat and other provisions were as low in the periods of war as in those of peace, and in some instances lower" and he adds: "The prices of wool would offer nearly the same result. Other articles might be enumerated as affording a similar conclusion." Finally, he says this: "After six years of war (1793-8), involving a gradually-increasing expenditure, defrayed by loans, much larger towards the later than at the earlier period, we see the prices of corn, after having been elevated by scarcity, obviously rising from the seasons falling upon the return of only moderate abundance to the level whence they had risen." I have dwelt a little upon Mr. Tooke, and quoted him in order to show that, so far from supporting the contention which has been based upon his figures, that prices necessarily and always rise in war, he is of an entirely contrary opinion.

89. (*Chairman.*) I think on that point I have clearly understood you, but do you suggest that the circumstances as affecting prices would be the same to-day as they were in the period with which Mr. Tooke was dealing?—No, by no means.

90. May it not be the case that the failure of prices to rise in the Great War was due to the fact that our supplies were drawn so largely from within our own borders? I suggest that the words which you quoted from Mr. Tooke point to that, for he excepts for instance, articles of colonial and foreign produce from the rule that prices do not rise?—Even articles of colonial and foreign produce fell here stupendously on the whole war, so that at the end of the war, though the French were always predicting we should be ruined because they said, "England is full of colonial produce which she has to sell at a low rate," yet in fact such an article of colonial produce as sugar we were getting at 6d. per lb. while the French were paying 6s. With regard to food, I do not think it is the case that such supplies of food as we then got were all from within our own borders. In 1801 we already imported one-fifth of our food supply from abroad, a thing which is very often forgotten. We imported 1,500,000 quarters of wheat in 1801, and they did not come from within our own borders, they came from America.

91. But the difference between the importation of one-fifth and nine-tenths might have a very material effect on prices in the case of war?—Clearly; but I should say myself that the increase in the number of sources of supply, especially of food, would make any effect the war had upon prices rather less than greater, whatever the result of the war, adverse or favourable. The Committee will, of course, understand that I am re-establishing the reputation of Mr. Tooke. He is our only authority, and it is very necessary that he should not be misapprehended.

92. In fact you are traversing the assertion that war would necessarily raise the prices of food?—Yes. To all this may be added the further fact—and this is a very remarkable fact—that in June, 1817, two years after the battle of Waterloo, two years after the whole twenty years' war had been finally ended and done with, the price of wheat in Mark Lane was 135s. per quarter. It had been down to something like 42s., I think, during the war. I only adduce this, as I adduced the previous fact, to show that prices do not necessarily rise in war. They may rise, as in this instance, after war. This brings me to the conclusion that I should have ventured to advocate, even before I had gone through Mr. Tooke, that prices depend upon such an infinity of circumstances so complex and so various—various in various places, depending upon seasons, depending upon corners, depending upon stocks, depending upon demand, and depending upon supply partly—that the circumstances which finally govern prices are so numerous and so complex that it is a very rash thing to predict what the effects of anything in the world will be upon prices. But I think if we may come to any certainty with regard to prices, one may say as regards our food supply that the increase in the number of sources from which we draw it, and the very greatly increased facilities of shipping have greatly improved the situation. I suppose that in the last 70 years you could bring a quarter of corn across a given surface of the sea for a twentieth of what it did cost. I believe that in 1837 it cost 12s. a quarter to bring it from Amsterdam, and you can now bring that same quarter for under a shilling from New York. Therefore, I should say that if there is any one thing we may conclude with regard to prices it is that probably in future prices will not be subject to such great variations, and that they will move within much narrower limits than they did before. As I have said, it is always necessary in dealing with these matters to remember—and the assumption at the moment is a war with Germany—that every modern war will be waged under different conditions, which a little affects this question of prices. One of the things which constantly lowered prices in the French war was the advent of an enormous amount of captured corn and captured provisions from the enemy. We got a good deal of our stuff in the old French war not merely cheap, but for nothing, because we captured it. There are recorded instances of a market having been very considerably affected by the advent of a large amount of captured provisions. But that is a small thing. Before I quite leave this question of prices, I therefore submit that history has shown, and Mr. Tooke has shown, that war does not necessarily involve an increase of prices with regard to anything, but especially with regard to food. Here, perhaps, I may quote what I admit are selected figures, which show that in a very remarkable way. In September, 1792, five months before the great war with France broke out, wheat in England was 53s. 4d. per quarter, but in September, 1793, when the war had already lasted seven months, it had not risen beyond the 53s. 4d., but had fallen actually to 45s. In fact, really if I might draw my own conclusion and express my own moral, it is that it is an extremely dangerous thing to predict anything whatever about prices.

93. I gather you would almost go further, and would say that as far as you may predict, the war risk would be the least important factor in fixing prices?—Of all the factors I think so. I think you might have any war risk you like, but if, nevertheless, you happen to have a bumper harvest all the world over and new corn territory coming into bearing at that moment, no war risk that you had would prevent the prices from falling.

94. But that assumes that we should get our supplies?—Yes.

95. Now we come to the question, should we get those supplies?—Exactly. As regards physical hindrances on the part of the enemy, that we could have our supplies imported I have already endeavoured to show; and I think that it is impossible that any member of this Committee can look at a map of these islands and see how splendidly and admirably they have been placed against Europe, with all their openings so wide and so unshuttable and so incapable of being closed, without seeing that that must be so.

96. That was practically, I think, the conclusion of Lord Balfour's Commission, was it not?—It was. I am very much struck by the conclusions and the most proper conclusions, as I think, that they came to. They said this, "It does not appear to us that any effort in this direction, which it will be possible for an enemy to make, would cause any material diminution in the oversea supplies of those articles of primary consumption which are necessary for our population." Then they go on, "the effect of the naval and shipping evidence is conclusive as to the point that while there will be some interference with trade and some captures, not only is there no risk of a total cessation of our supplies, but no reasonable probability of serious interference with them, and that even during a maritime war, there will be no material diminution in their volume, unless such a disaster takes place as . . . . . a reverse that would cost us the command of the sea." I go a little further. I say if you lose the command of

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the sea, your avenues of trade will remain open, and although your supplies may be to some extent interfered with for other reasons, it still will be impossible to close the sea avenues to these islands. However, I am content for the moment to go as far as the Commission goes; I take what they say. Now, observe, this covers all supplies whatever, whether of food or raw materials; and the Commission quotes the Board of Admiralty to the effect that "our supplies of wheat and flour would arrive in practically the same volume as they come at present," and finally sums up, "With a strong fleet we find no reason to fear such an interruption of our supplies as would lead to the starvation of our people, nor do we see any evidence that there is likely to be any serious shortage." That seems to me to conclude the major part of the question. No serious diminution, no shortage, no interference. How are you going to get prices higher under those circumstances? I cannot see it. It is very hard to suppose that with the same amount of stuff coming in, your prices are to rise appreciably, if at all. Once, therefore, you have arrived at the conclusion which the Commission has arrived at, the question of price seems to me to be entirely concluded.

97. The Commission, however, in spite of that fact, comes to the conclusion that there is a real danger of a rise?—Yes, they do; and very largely, I think, on account of the mis-presentation of my friend, Mr. Tooke. They, I think, were very considerably impressed by the figures that were quoted from Mr. Tooke to show that there had been an enormous rise of price during the Napoleonic war. There was one after the war, as I have shown; but the prices, as Mr. Tooke points out, fell again.

98. The Commission also attached great importance to scare?—Yes. That, again, is a new element. I do not think anybody thought much of scare in the old Napoleonic wars. The rule then was, if you got into a fight, to send the women down below till the fight is over. They did not think much of it. But that is a new consideration, which I think is really at the bottom of the new suggestion: The Commission are of opinion that "a rise of prices under apprehension of a maritime war, and still more on the outbreak of hostilities, seems to us not only possible or probable, but, at any rate for a time, practically certain." I do not know whether this Committee have read the Report of the Commission, but it bears, to my mind, manifest traces of patchwork; and this is one of the pieces of patchwork that have been, I think, added afterwards. It is a little inconsistent, not to say very, with the previous conclusions to which the Commission have come. That is the impression it produced upon me. Of course, I have no knowledge on the point; but, being a little in the habit of writing things myself, I can sometimes see where a paragraph has been interpolated—somewhat unfortunately, perhaps. It looks to a rise of freights and of insurance as the proximate cause of what it holds to be the certain rises in prices. Now, see this: The Commission have previously declared that there will be no material diminution in our supplies, and my conclusion has been that, if that is so, there can be no material rise in prices; but that is the Commission's view too. They say the opinions given in evidence indicate that "the addition to be made to the price of wheat in time of war under this head is relatively small as compared with that which might be caused by panic." They agree with me that the undiminished supply will ensure a practical steadiness of price, at any rate will prevent a rise in price; but then they say the rise in price will be relatively small, but there might be a rise in price caused by panic. Upon this apprehension of higher prices, the Commission therefore considered proposals for the storage of grain, which it did not entertain, and for a system, which it did entertain, of national indemnity against loss from capture by the enemy. It thinks that this "would operate both as an additional security to the maintenance of our over-sea trade, and as an important steadying influence upon prices." It adds that "a guarded and well-considered scheme of national indemnity would act as a powerful addition to our resources, because it would tend to keep down the cost of transport, and therefore would go far in the direction of preventing high prices in time of war"—and hence the recommendation of this Committee. We come at last to this: That, as regards supplies, no apprehension need be felt; that they will suffer no material diminution in quantity, and can therefore hardly suffer any material appreciation of their price; that the addition to price, if there be any, will be "relatively small"; and that, finally, it is not a question of price, but only of panic—not a question of scarcity, but only of a scare. To meet this the proposal is made of a system of national indemnity. Several systems of indemnity or of guarantee have been proposed, and it is for this Committee to consider whether it will recommend any of them, and if so, which. Some would include all British or even all Colonial vessels and their cargoes; others would limit the operation of the scheme either to cargoes alone or to articles of prime necessity, excluding luxuries.

99. It is obvious, from your previous evidence, that you disapprove of any scheme. Do you care to say anything about the details of the schemes under those circumstances?—I have read, with great attention and respect, the printed schemes which the Secretary did me the honour to send me, and I might make a few remarks upon them when I come to the end of my paper. But, really and truly, I think the Committee will be of opinion that I have said as much as I could usefully say when I have come to the end of my paper. There are one or two remarks that I should like to make, but I think my general view is covered by this paper.

100. Your objections are not objections of detail, but of principle?—Yes. Sir John Glover has a very particular scheme of his own. Sir John Glover, shipowner and underwriter, would, indeed, have the Government "repay the underwriters who take the risk." As though speaking *ex cathedra*, he says: "I recommend the State to take the risk." But he prefers to give no details; and, as to its cost, he thinks no estimate is "worth the paper on which it is written." So it is a litle difficult to consider Sir John Glover's plan. Now, his is not a plan to indemnify shipowners and cargo-owners, it is a plan to guarantee underwriters in their business. The State is to pay. Coming to the real schemes, Mr. Douglas Owen's is evidently the most serious and the most important, and is very ably thought out. It seems to me that there is a general agreement that the scheme should not be one of insurance in the usual manner, since no premium would be charged. At once I say that if you are going to charge an adequate premium, it will be far better to leave it to the underwriters who do it now, than for the State to enter upon so extremely complicated a business, in which the difficulties and the calculations are very considerable, and in which the State would be very greatly exposed to fraud. The plan practically before the Commission, I think I am right in concluding, was one under which no premium should be charged, but under which, in case of capture, the owner of the British ship, as well as the owner of the British cargo, would be indemnified gratis by the State. That is really what I take to be the proposal. I will at once say that all the schemes embodying that proposal seem to me to be unnecessary, vicious, intolerably expensive, and certain to open up a series of very grave dangers and embarrassments. I have already stated to the Committee that I think the schemes very dangerous, unnecessary, and objectionable; but I will at once admit that they certainly would probably, as the Commission says, give a "stimulus to the enterprise of British shipowners." But it would be a stimulus in the wrong direction—it would be a stimulus not in the pursuit of carriage, but in the pursuit of captors for their ships. If you give a man the certainty of being compensated if his ship is captured, surely you do give him a very strong inducement to get it captured, and there an end. You would not get rid of the national burden. All you would do would be to transfer it. The ship captured has gone to the enemy, and it is lost to the country. Who is going to bear the cost? At present, it is the consumer, who is reached by the insurance. In the future it will be the tax-payer. It would give a stimulus to the enterprise of British shipowners; but they would be stimulated, not in the pursuit of carriage by their ships, but, as I say, in the pursuit of captors for the ships themselves and of the consequent indemnity.

101. That assumes, does it not, that they would make a profit out of the indemnity? If it were a mere indemnity for the loss, they would be no better off by getting their ships captured, would they?—No.

102. And indeed they would be worse off, because they would lose their future earning power?—Yes,

but generally speaking, if a shipowner wants to be sure of making a good thing, the only certainty is to get his ship totally lost. Shipowners tell me that they go on from year to year struggling and striving against bad times in the utmost confidence that sooner or later that total loss will come. So, when you pay for a total loss you always put the shipowner in a good position. Then comes the question of over-insurance. The burden would be there. Freights and prices would find their level all the same. The difference would be that the merchant and the shipowner would be subsidised by the State in certain eventualities, which the subsidy itself would tempt them to court if not to create. Now I venture to come a little closer, if the Committee will allow me, to the arguments that are used in favour of a scheme of national indemnity. I have endeavoured to summarise them fairly. First, it is alleged that it would be "more economical than private insurance, because the country will only have to pay for actual losses." That you will find on page 53 of the Commission's Report. The State has never yet conducted any business more economically than private enterprise, but always, on the contrary, far less economically. The excess of premium over actual losses now paid would go but a short way towards the expenses of a new indemnity department. The Committee will observe that it is only the margin of profit that is here in question. Whether the loss is met as now by the underwriter, or whether it is met by the State, the loss itself is the constant thing; and the difference between the State doing it for nothing and the underwriter doing it for something would be the underwriter's profit. That is not so large as is sometimes assumed; and against the profit you have to put the losses, which are considerable. There have been many underwriters who have failed, and for large sums too. Therefore, I think you have to consider the loss as well as the profit. Yet, even if it be true that the country would only have to pay for actual losses, which is altogether doubtful in my opinion, it is also true that the country would receive no premium, and that the State, therefore, instead of dividing all the losses among all the possible losers—which is what the underwriter system does—would itself bear the whole of the losses. But the State being a pauper, except for the tax-payer, this means that it is the tax-payer who would bear the losses. Now the tax-payer is not identical either with the shipowner, or with the cargo owner, or with the final consumer; he is a different and a larger person. He includes them all, but he is not identical with them. There would be, therefore, a shifting of the burden of a very serious nature. The burden itself would be no less; but it would no longer be borne as it is now by all those interested in the goods in varying proportions which, by percolation, ascertain themselves, if I may use the term. At present the loss is represented by the insurance; that insurance goes on to the price of the goods and gets down at last to the consumer of those goods, but not to the consumer of other things—for the consumer of corn does not pay for ostrich feathers, nor the consumer of ostrich feathers for corn. Each bears his own share of the insurance. In my opinion that is right; but at any rate he does bear it, and it is the consumer and nobody else that bears it. You are now going to say, or you would say, by this scheme, that everybody shall bear it; whether you consume corn or ostrich feathers, you shall all bear the same proportionate share of this loss, and it shall no longer be the loss of the consumer or of the man who is interested in the goods, but it shall be everybody's loss, and you shall all bear it equally. So that it would be a transfer of the loss from the person who now suffers it to the tax-payer at large, which I conceive would be a very great and wanton injustice.

103. By the transfer of the loss you mean rather a transfer of the burden, do you not?—Yes.

104. Or rather a redistribution of the burden than a transfer, would it not be—but perhaps that comes to the same thing?—If I transfer your watch from your pocket into mine that is a redistribution of property, undoubtedly. I think it is a complete transfer, as I think the whole loss would be transferred. The second argument is that "War premiums are an exaggerated measure of the risk incurred," for "they contain a large scare element." I do not think they are an exaggerated measure of the loss incurred. I do not know that there is anything in which there is a keener competition than in insurance. Premiums are fixed competitively, and if one man asks 1s. per cent. too much, there is another man who will take that shilling off.

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105. (*Sir George Clarke.*) Is that in war insurance?—All insurance included. Practically there are the same underwriters who insure for war as those who insure for the ordinary risks.

106. There is a keen competition for taking war risks, is there not?—At a rate. If it were found that one underwriter was charging more than another underwriter thought it could be done for, that other underwriter would come in. All I mean to assert is that premiums are settled by competition.

107. (*Chairman.*) But the market for war risks is a much narrower one than the market for ordinary maritime risks, is it not?—I think that is so.

108. Much narrower probably because it is a much more speculative business?—Yes.

109. And fewer people care to engage in it?—Yes. Of course the Committee will understand that I am not an expert in underwriting, but I think certainly the ordinary insurer who wants a steady sea risk and no more, which is fairly well ascertained now, would be very likely to keep out of the war risk—or market, as I suppose it would be called. But even among the fewer people who deal in war risks there is competition. I do not think, therefore, it can be assumed that the premiums are an exaggerated measure of the risk. As regards the scare insurance, the insurance against that risk, that may be next to nothing. There, of course, the gambling element comes in even more largely than in what I may call the legitimate war risk. That scare insurance is confined, I think, to even fewer people; but they burn their fingers about it terribly, constantly. People instead of making money out of scare risks, have lost money by it. If I remember rightly, one of the underwriters before the Commission said so. He said that those who had gone into this scare insurance had done very badly by it; at any rate, that is so I believe, from inquiries I have made.

110. (*Mr. Beauchamp.*) When you speak of a scare in this connection, do you mean a scare which has not come off or resulted in war?—I was using it in that sense then. The insurance against a war risk in case of a war that is apprehended but has not yet broken out, for instance, I should call a scare risk.

111. Under those circumstances the underwriters have always made their money, because there cannot be a loss?—That would be so when the war does not come off. But then there is the scare risk of the war that does come off, and it is there that the underwriter loses. I was perhaps using the term incorrectly.

112. (*Chairman.*) I suggest that you were using it as meaning a war policy taken out in apprehension of war?—Yes.

113. Distinguishing it from a war policy taken out *flagrante bello*?—Exactly. I think before the Commission there was evidence to show that in the Spanish war the underwriters had rather burnt their fingers in some of the scare risks, using the term in that sense, which had become total losses. Now by the third argument national indemnity is said to be the most equitable mode of meeting war losses because "ordinary war insurance will fall most heavily on the poorest class of consumer," while national indemnity "will fall upon the taxpayer." But does not insurance fall *pro rata*, if it so falls at all, equally upon the poorest and the richest class of consumer according to their consumption?—Surely it must fall, if at all, on what the consumer consumes. It cannot be suggested that the consumer of corn pays the insurance or ostrich feathers, or the consumer of cotton that on perfumery; nor is it likely (seeing that there is no probable diminution in the supply of corn) that under the premium system the corn consumer would pay any war insurance thereon at all. If there is going to be no dimunition of supply and no increase of price, at any rate the corn consumer is not going to pay anything of the war insurance, whereas you clap it on to him. The proposed system lumps necessaries and luxuries, corn and cotton, perfumery and ostrich feathers together; the 190 million pounds' worth of food together with the 146 million pounds'

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worth of raw material, and the 191 million pounds' worth of luxuries and other articles not of prime necessity; and then claps upon the taxpayer the cost of all that may be captured. Whether ordinary insurance in its final incidence ever gets beyond the final consumer, rich or poor, of the thing insured is not pretended, and is indeed most doubtful. That, except in the articles consumed by that class, it ever reaches the poorest class at all is most improbable; that the insurance on ostrich feathers—I take those as a typical thing—would ever reach the poorest class who do not use them I think is most doubtful, in fact I should entirely deny it as a matter of opinion myself. But that all taxation does finally percolate and permeate down to the lowest class, I think is undoubted.

114. The interests of the poor in anything which is the subject of manufacture may be very real, because it may touch their employment?—Quite so.

115. And so the scarcity of luxuries may affect the poor, not as consumers, but as earners of their daily living?—Yes, as workers on the luxury, certainly. But whether that be so or whether that be not so, undoubtedly if you clap something on to the taxes at large, that is certain to touch the poor. It touches them in a hundred ways, some of them direct, others indirect. Double the burden on the people, and the chief part of it will really be borne by the poor in spite of all your efforts to get more out of the rich.

116. Those are the problems of taxation?—Yes, and perhaps I ought not go into these economic questions. I think it will be usually admitted that the poor at any rate do feel the extra burden of taxation. If so, if the argument I have used be well-founded, then instead of it being true that the substitution of a national indemnity for ordinary premium insurance would relieve the poorest classes it is rather the contrary that we should conclude. It would put an extra burden upon them hitherto borne by the particular consumer of the particular article; that is what I should say. The fourth argument is that national indemnity "will prevent an abnormal rise in the price of imported commodities, because there will be no war insurance to be included in the price." But we have already been told that there will be no material diminution in the supply of these commodities. If that be so it is hard to see how—war insurance or none—any abnormally high price can be got from the consumer. Again, if national indemnity does save the consumer from war insurance, it is only because it puts it upon the taxpayer at large. The loss is there and it has got to be supplied. The only question is whether you are going to allow it to be supplied, as at present, by the extra charge placed through insurance upon the consumer, or whether you are going to put it upon the community at large. The fifth argument is that national indemnity would obviate the mischief of the "free ship, free goods" clause of the Declaration of Paris by compensating British shipowners for capture, and by thus inducing them to avoid transfer of their ships to the neutral flag, and to keep these ships running. But is this so? Would not the risk, such as it is, remain exactly where it was? Would not the actual mischief remain exactly where it was? Would not the only difference be that the cost of the mischief would be borne by the taxpayer instead of being borne by the consumer, who would otherwise pay the war premium? Suppose the case of the risk and the consequent premium being so high as to cause the shipowner rather than pay it to lay up his vessel or to transfer it. What would be the difference then? Would it not be this—that whereas, had the shipowner been left alone with the present system of premium he would either lay up or transfer, if he is covered by the national indemnity he will no longer lay up nor transfer but will send his ship to sea at all hazards, being certain of his indemnity. Would it not be this, that the ship instead of being laid up would be captured, that the ship and its carrying trade would still be lost to the country, but that its full value, and probably something more, would be paid by the taxpayer? The ship will be gone all the same, the trade will be stopped all the same; and supplies to that extent would fail all the same; but a vast sum would be transferred from taxpayer to shipowner. The sixth suggestion is "Captain Inglefield suggests that the Admiralty would be much freer (under a system of national indemnity) as regards naval strategy than if they were expected to provide convoys or were otherwise subject to pressure from the shipping community." If the Admiralty fails in its duty and falsifies its strategy because of panic, not only the First Lord but all the Board ought to be hanged. But the shipping community will hardly want convoy if by national indemnity they are made sure of compensation, convoy or no convoy. Under these circumstances the only pressure that can be expected from them on the Admiralty will be, "Stand out of the way and let me go and get captured. I do not want to be convoyed." The shipowner will be put into the position which every shipowner desires to be in, and which otherwise in this world he never can be in—a certainty. He would be in a heaven of voyages without risk, with a certainty indeed of the fullest and most certain compensation there where the risk would be otherwise greatest—the risk of capture. He would be, as I say, in a riskless heaven. But where would the taxpayers be? In another place.

117. (*Captain Ottley.*) One point with regard to the argument you have just developed. It appears to me that the whole question of the shipowner's desire to get his ship captured turns upon whether he is going to make a profit by that or whether he is going to get just the bare bedrock price of his ship. The price which he has got to prove is the value of his ship at the particular moment of capture, is not it?—Yes.

118. If we assume that he was going to turn a few pounds by the capture of his ship, then I admit that the inducement exists, though I cannot admit that the inducement, unless it was a very enormous one, would compensate for the very real danger that the shipowner would run of being had up upon a charge of barratry and of the fraudulent giving away of his ship. As I understand it, the bedrock principle of any scheme, either to indemnify or to insure, would be that the shipowner should only receive the bare irreducible minimum of the value of that ship, and not a farthing more. The onus of proof would lie upon him. He might endeavour to show that the ship was worth £100,000, but the experts who would be arrayed on the other side, the average adjusters and other expert persons, who would form the committee of claims, would tax his bill down to the irreducible minimum. If that is so, then, I confess, I cannot see how the argument that there is an inducement for a shipowner to get his ship captured can be admitted?—I am obliged for your remark. On the subject of value, the Committee is probably aware that that is one of the most difficult points that have to be dealt with by underwriters and shipowners. I think I may venture to say this, that whenever a total loss is incurred and the shipowner is paid for a total loss, it is always to the advantage of the shipowner. As to the question of value, as I say, I believe it to be one of the most difficult questions. I do know this, and I know it from recent information which has come to me, but which I need not cite, that it is possible that there are ways of putting your value up beyond what it really amounts to, and that these are suggested to shipowners and can easily be carried out. In case of damage, for instance, as you know, probably, the underwriter only pays when the damage reaches a certain proportion of the total; I do not exactly know what it is. I believe it is constantly the case that damage, if it does not reach the limit which makes the underwriter liable, can easily be made to approach that limit. I am using this as an argument to show that value is a very indeterminate thing—a very elastic thing. I do believe myself that when you pay for a total loss, in 9 cases out of 10 the shipowner is extremely well compensated for it. He is fully compensated and usually makes a bit of a profit. That is my belief, but, of course, the Committee will remember that I am not an expert. I do not know whether these considerations may help you. They are not presented authoritatively.

119. Frankly, we have most carefully considered that point, but I think the fundamental principle upon which the Committee is inclined to work is that we should be absolutely certain that we did not pay a brass farthing more than the actual bedrock value of the ship; and unless we can do that I am afraid any system of insurance or indemnity must fall to the ground?—I quite understand that; but may I respectfully submit to the Committee the extreme desirability of their being quite sure that they can ensure that they will not be paying more. My belief is that it will be quite impossible.

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120. (*Chairman.*) I understand your view to be that it is practically impossible?—It will be, at any rate, very difficult, I think. Some other considerations arise whereof I will present you with one illustration. In February, 1902, a United States syndicate, then known as the Morgan Combine, which afterwards developed into the International Mercantile Marine Association, bought British ships of an aggregate of over 1,000,000 tons, which they capitalised at £39,000,000. All these ships, although they then ceased to be owned by British subjects, were—improperly and unlawfully, as I have always contended—allowed to retain their British registry, and have since traded, and are still trading, under the material advantage thence arising. All of them have retained the character of British ships; their alien owners have acquired the status of British shipowners; and they would all, I conceive—I think there can be no doubt about it—be certainly capturable by an enemy at war with Great Britain. Is the British taxpayer to pay for them? Is the British taxpayer to be called upon to pay either the £39,000,000 at which they were capitalised—to the alien, mind you—or the much smaller sum at which I should value them, say £17,000,000? If so, let the Committee consider what the temptation will be on the outbreak of war. There will be a strong temptation to the wily neutral to buy another million tons under these conditions, keeping them under the British flag as in this case, and when they are captured, coming down upon us for the £17,000,000, the £20,000,000, or the £39,000,000. Nay, the very enemy subject might do it. This is not extravagant if you consider the various frauds that have been perpetrated and attempted in the old wars. It is not impossible that the very enemy subject might buy a million tons of shipping, send it out for the very purpose of getting it captured, by his own cruisers, and then come upon us for compensation. I hope the Committee will not think this out of place. I am trying to reduce the thing to the absurdity which I think it is. But, as a fraud, that is not of such a character as to take it outside of the category of some of the frauds which have been attempted and perpetrated in previous wars.

121. (*Sir George Murray.*) What inducement would the neutral have to do that?—To get his cash—to get his 39 millions. He makes a speculation as Morgan did

122. (*Chairman.*) Would it be an inducement to him to pay 39 millions in cash to-day in order to receive back 39 millions in cash a month hence, when he has lost his ships?—No, for he would lose interest on the money then, at any rate. Morgan did not pay 39 millions in cash, but he is prepared to show, and, in fact, he spread himself out to show to the public that they were worth 39,000,000, and got subscriptions on that basis. Here, you see, the difficulty of value. I do not suggest that he would pay the 39 millions. He might get those ships for 20 millions and yet be able to prove to everybody's satisfaction that they were worth 39 millions, and then I should have to pay that. I only put this as one of the extreme cases that occur to one; I could have given others, but I thought that was strong enough. Nor is this all. At present the capture does not always result in loss. The owner or underwriter fights the case, and often, because of doubt or difficulties obtains restitution from the prize court, whereof, of course, there are numberless cases. But with a system of national indemnity no owner or underwriter need, or would, fight at all. All the cases would go by default. The utmost he can get from the prize court is restitution, and he gets that from the State—I mean, if condemnation ensues. The prize court itself would have a new inducement too, and a new justification for condemnation; for, under the proposed system, there would be no question of ownership, the British State owning all. The fact of condemnation would make the State the owner if it were doubtful before, and the ship and the cargo together would, for that very reason, be condemned *sans phrase* by the court as the property, if not of a belligerent subject, at any rate of the belligerent State. It would be made such by the condemnation.

123. Wherein would the fact that the property was indemnified by the State differentiate the case in point of law, from another ship where it was insured by an individual or company in that State?—It would not be differentiated in point of law, but the Court would have it in its mind. First of all, the Court would have nobody fighting for the ship. According to my view of the case, the man who would otherwise fight says: "I am not going to fight, because I shall get my indemnity anyhow." Secondly, the Court would have in its mind that if this were not the property of the enemy subject, nevertheless if we condemn it, it becomes thereby the property of the enemy State. I am dealing with the effect upon the mind of the Prize Court, and I think that would be the effect which would be produced. You would not have a defence made so that you would have the absence of defence and the extra element of State ownership introduced after condemnation.

124. I see your point, and it is a very serious one. I only suggest that the property does not change its ownership by reason of being insured or indemnified by somebody else, whether the State or an individual?—The strict legal situation would not be touched at all, and I am not suggesting that the Court could properly, with absolute propriety, allow itself to be influenced by the consideration that this ship by condemnation would be proved to belong to the enemy State; but that it would have a material influence upon the decisions I do think.

125. A moment ago, you said that if the case were fought, the most the Court would order would be restitution; in certain cases—I admit exceptional ones—the Courts have given damages also for delay, have they not?—True. They might order damages for delay, but even that, as you will see, is only restitution. I think I may say that the Prize Court especially deals with placing the man in the same position as he would have been in had no wrong been inflicted upon him by the capture; and therefore, if he has been delayed, these damages are really a restitution of his time in the shape of money.

126. It is only important because if it were not possible for him to do that, clearly it would be less profitable for him to win his case in the Prize Court than to make a total loss and get indemnity?—Prize Courts are very chary in giving, and have always been very chary in giving, compensation for anything beyond the bare value of that which has been taken from the man unlawfully. But to resume. Indemnity after loss would, after all, not prevent loss; indeed, it would rather encourage it, because it would be a subsidy from the taxpayer to the shipowner and the merchants. That may be good for shipowners or merchants, but that is not to the interest of the State. The interest of the State is not that supplies should be lost and paid for, but that they should be preserved and come into the country—not that shipowners and merchants should get cash, but that the nation should get the stuff. National indemnity would not ensure this, but rather the contrary. What the State requires is not payment after loss, but security against loss; not national indemnity, in my opinion, but a national Navy adequate in numbers (including cruisers), efficient in men, and set free once more to exercise all its powers. There remains the last and, perhaps, most important consideration of all; and that is the cost of a national indemnity. That has been somewhat lightly dismissed. I admit that it is difficult to come at it with any exactitude, but I do think that with diffidence some approaching forecast of it may be made. The value of the goods involved would be in each year all that was landed in Great Britain during that year, and all that was exported during that year—in fact, all that is afloat during the year, and therefore, exposed to capture at sea, and entitled to be covered. Here I may refer to the Statistical Abstract. In 1905, there was imported, that is, brought into our ports and landed from the sea, merchandise, diamonds, bullion, and fish amounting to a total, roundly, of 633 million pounds. By the way, I think you must cover diamonds if you are to cover other things. I do not understand on what principle some gentlemen have proposed to exclude diamonds and bullion. Surely they are the things that are most usually and most invariably insured, and your scheme would be extremely incomplete if you did not cover them. The imported merchandise amounted to 565 millions, the imported diamonds from the Cape of Good Hope alone amounted to 6½ millions, the gold and silver bullion in specie to 51½ millions, and fish to 10½ millions. Fish again you must cover. The fishermen are not exempt from capture, and they have been captured to an enormous extent. By the comity of nations, and by the kindness and humanity of States, they are often left alone to pursue their calling. As a matter of fact, in the old French war, they were the only medium of communication between the two

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sides. They used to smuggle our goods over, and they acted as spies for both sides. You must cover those therefore. That makes the total imports 634 millions. Now the exports of merchandise and gold and silver came to a total of 438 million pounds. Therefore, the total property afloat during the year 1905 was 1,072 million pounds. Of that it is shown by the Commission and by the expert witnesses that one-third was carried in foreign ships—neutral ships. Those, under the assumption on which we are working, would not be liable to capture, because they would be covered by the neutral flag. I therefore deduct a third of the value, which would be 357 million pounds of those which are not liable to capture, and that leaves me with property afloat during the year liable to capture of the value of £714,893,000.

127. Ought you not to make some deduction for the transhipment of neutral goods?—I did not go closely into that, but, generally speaking, under the old rule, if you found goods consigned to a British merchant in Great Britain, they would be *prima facie* enemy goods. I ought to mention another thing. In addition to these values which I have given you, there is all the coastwise trade, which is immense—almost as big as this, in fact—all of which would be liable to capture. There might, of course, be in this some property which might be capable of being proved to belong to a neutral, and therefore exempt, but I do not think there would be a large amount, and, as you see, I have deducted a third as being carried by neutral ships, and excluded the coastwise trade, which is immense. I think that estimate of 715 millions as the value of the property that would be liable to be captured in the year, is a very moderate estimate. That sum represents stuff which has to be covered by indemnity once in the year and no more, for it runs the war risk once and no more, in or out. But it is different when we come to the ships. There it is not the case of one war risk in the year, but of many. Each of them makes on an average some five round voyages, or 10 single voyages, in the year. That is drawn from Appendix B in the Report. The ship must be covered, therefore, not once only in the year, but for as many voyages as she makes, at so much per voyage, if she makes ten voyages then ten times. Now the navigation returns show that there were on the Register of the United Kingdom, on December 3, 1905, 20,581 British ships of an aggregate net register tonnage of 10,735,582. I will only take those that were employed in the year which were 10,597,761 net register tons. It is manifestly proper to take only those that were employed. In addition, there were vessels belonging to British colonies and possesions of a tonnage of 1,596,000 whereof there were employed (I have had to estimate this) 1,580,000 tons. Then, besides those, there are the British fishing vessels, which the statistician has left out, that is to say, there are some which are registered under Part I of the Act, and some which are registered under Part IV, and some which are not really registered at all. The statistician will certainly be in my debt before I have done with him; but I think I have got it right now. I have to add to the total tonnage 176,000 for the British fishermen, and that gives me a total net register tonnage of 12,354,000. If I want to get at the value of that, that is extremely difficult, most especially when you are dealing, as we are here, with net register tonnage. As probably many members of this Committee know, the real way in which shipping is dealt with is on the carrying capacity, and a ship of, I suppose, 2,000 net register tons would very likely carry 6,000 or 7,000 tons weight. That is the thing, the 6,000 or 7,000 tons, in regard to which ship dealings are really carried on, whereas we in our wisdom have got an abstract conventional thing called the net register ton, which is very much smaller. However, I have had to take what I can get. In estimating the value, I first of all went to Sir Henry Hozier, who valued 7,400,000 tons of all sorts of British shipping, "from fast liners at £40 per ton down to depreciated tramps" at £96,000,000, or £12 17s. per net ton all round. Then I made inquiries, for the preparation of my paper, of other authorities, who said they thought it was far too low. They pointed out that there were many vessels like the "Oceanic" which cost £100 per net register ton to build. Then I had the instance given me of a new tramp steamboat, of the cheapest type in the market, of 2,763 net tons, sold this last month of November to an American firm for £45,500, or £16 10s. per net ton. They conclude, therefore, that £12 17s. is far too low, and that £20 per net ton all round would not be extreme. With this difficulty among the doctors, I came to a sort of compromise of £17 per net register ton, which is more than Sir Henry Hozier estimates, and less than my shipping expert friends estimate. Taking then our total net tonnage at 12,354,000 tons at £17, say, we get a total value of the tonnage of £209,920,000. That is the value of the tonnage employed during the year; but since each makes an average of five round voyages, or ten single voyages out or in, each year, each must be covered ten times in the year at a rate per voyage.

128. (*Mr. Lindley.*) Including those who were lost on the first voyage?—No. I am assuming the vessel goes through all the voyages without being lost.

129. You are assuming she is not lost in the first one?—Yes. I am assuming the vessel would have completed her ten voyages. The whole value to be covered, therefore, is 2,099 million pounds for ships. Now add the value of the goods which I have already given, 715 million pounds, and that will give you the total value of ships and goods liable to war risks in one year as 2,814 million pounds.

130. (*Chairman.*) I do not quite follow the grounds for your multiplication of the value of the ship by the number of voyages?—I want to get at the cost, and the only suggestion of war risk that I have is war risk per voyage. I have not seen anywhere any evidence as to what war risk per annum would be.

131. May I suggest to you a *reductio ad absurdum*? It would appear on this calculation that we might lose 2,099 million pounds' worth of shipping in a year, but clearly we could not do so, because that would be to lose the whole of our shipping ten times over?—I know, and I have got that in my own mind. Take the "Lively Sally," who goes out on the first of her ten voyages, and is captured. We have not got to run the risk of the other nine voyages in her case. But I am dealing with the "Lively Sally" on the assumption that she completes her ten voyages, in each one of which she will have to bear the war premium, because the risk would be there.

132. That would be conclusive if you were to consider it as a question of what the cost of insurance to the owner would be. He would in that case have to cover each voyage that she makes; but we are considering—at least I thought that was the point to which you were directing yourself at the moment—what is the possible loss to the State?—I am coming to that. I am going to try to ascertain the real war risk in each case in each war. I am getting at the value in order to value my percentages; that is the real purport of my paper. Assuming that these vessels do complete their ten voyages, in each of the ten voyages they would be subject to their war risk and would be charged upon it, and for each of the ten voyages the war indemnity, such as it is, may have to be paid. As I have said, on my figures we have a total value of goods and ships of 2,814 million pounds. What now is the true measure of the war risk for this vast property, without reckoning underwriters' profits? What is what I call the naked war risk? Captain Inglefield, of the Naval Intelligence Department, puts it at 2½ per cent.—naked, without any underwriters' profits. Mr. Douglas Owen, secretary of the Alliance Insurance Company, puts it at from 5 to 20 per cent, but I am not sure that he means the naked war risk, I am not sure that he does not mean clothed with the underwriters' profits. But he says he would call it 10 per cent., and he strikes a sort of average. Then Mr. Leverton Harris, shipowner and underwriter, says he "will assume 5 per cent. per voyage on a tramp steamer crossing the Atlantic." He, too, I think, does not mean the naked war risk; I think he means the naked war risk clothed with the underwriters' profit. So that you see it varies—Captain Inglefield 2½ per cent, Mr. Douglas Owen 10 per cent., and Mr. Leverton Harris 5 per cent. Here again from my point of view it all depends upon the particular war. I think you cannot take a war risk without coming to the particular war you mean. In some wars the naked war risk, that is to say, the actual loss for that is what it comes to, and that is what this Committee is really dealing with, will be quite inappreciable. In others it would still be inappreciable for certain voyages, while for different voyages in the same war it might rise to the 10 per cent. suggested,

or even higher. I approach this very diffidently, but I have endeavoured to take account of the different situations of the different countries involved, and particularly of the three—the United States, France, and Germany—their coast-line, their spirit, their enterprise, their ports, their naval aptitudes, and so forth. I have endeavoured to arrive at the actual naked war risk, the loss by capture in each of these three cases. I think that in the case of war with Germany, for the reasons already given, and taking the present relative naval strength, seaboard, ports, and all into consideration, the true measure of the naked war risk would be even less than the lowest estimate of 2½ per cent. which is suggested by the experts. My feeling is, that when finally ascertained, it would not exceed, even if it reached, an all-round rate of 1 per cent. per voyage. In the case of war with France, I attach so much importance to that that I think it might reach 2 per cent. per voyage; and in the case of war with the United States, I think it would reach 3 per cent. As the Committee will see, my estimate of the naked war risk is far below that of the underwriting experts. They put it at 2½ per cent., 5 per cent., and 10 per cent., but my highest is 3 per cent., and in the case of a war with Germany I put it as low as 1 per cent. Now I come to apply it, and now perhaps the Committee will see why it is that I have been obliged to make some endeavour to get at the total property that would be exposed to war risk.

133. (*Sir George Clarke.*) The estimates that you are giving us now of the rates of insurance are your estimates based on what you think would be the total loss in a particular war, are they not?—Yes.

134. Your estimates, therefore, are not estimates of what insurance rates would be likely to be charged in the open market?—No. My estimate is an estimate of the naked war risk.

135. You are not putting before us the insurance rates which, as matters now stand, would have to be paid?—No. That is not my calculation. Of course, you will understand that it is a very imperfect calculation, and one that has to be put forward with great diffidence, but it is the best that I could make, and it is some attempt. Applying this to our ascertained 2,814 millions of property, in the case of a war with Germany, taking it only at my modest 1 per cent., the cost would be 28 millions a year; in the case of a war with France, at 2 per cent. it would be 56 millions a year, and in the case of a war with the United States there would be not only the 2,814 millions, which I should put at 3 per cent., amounting to 84 million pounds, but in this case the one-third of the property carried by neutrals, which I have hitherto excluded, would also have to be taken into account, because in the case of a war with the United States that too would be liable to capture. That is, therefore, another 10 million pounds which has to be added. In the result I estimate that in the case of a war with the United States the naked war risk would amount to £94,710,000 a year. Again, I would ask the Committee to observe that my estimate of the war risk is very considerably below, and, probably, dangerously below that which is estimated either by Captain Inglefield, who puts it at an all-round 2½ per cent., or by Mr. Douglas Owen, who calls it 10 per cent., or by Mr. Leverton Harris, who calls it 5 per cent. I have thought it necessary very strongly, for reasons which I have ventured to lay before the Committee, to differentiate between the different wars. The very lowest of these sums is staggering, and it is impossible not to ask whether it would not be at once cheaper and more efficacious and in all ways better to take the sum, whether it be 280 millions or 28 millions, and spend it on the Navy; whether it is not better to have naval insurance rather than national indemnity—better security for the stuff rather than tax-raised compensation for its owners. I think it is. These are some of the considerations which seem to me completely to condemn in principle the project of national indemnity as suggested. But there is one last objection to it which is scarcely less serious. It would of necessity involve the setting up of an Indemnity Department. This—unless it differed from all other public departments—would grow gradually but certainly and very seriously in expense, and would be an extra and an abiding burden upon the taxpayer for all time, even if for all time in future we should neither have war nor rumours of war. The probability of such a Government department managing adequately the tremendous and very difficult business with which it would be charged is small indeed—of managing it, that is to say, so as to protect the State not alone from the frauds, but also from the follies and mistakes of those shipowners who claimed against it. Frauds, follies and mistakes there certainly would be. It is probable—those who have followed the dealings of Government departments with telephones, telegraphs and savings banks will probably deem it certain—that the department would prove incompetent fully to deal with them. If so, if it were consequently to authorise compensation for anything more than actually unavoidable losses by that much more the cost would be increased to the State, by that much more the cost would exceed any finally ascertained market premium now levied, even in the time of the greatest conceivable scare. The indemnity, like the rain, would fall equally upon the just and the unjust, upon the wise and the foolish, upon the cautious man who always insures and the rash man who runs his risk without insuring. The case of the special ship specially indemnified by the Spanish Government, which steamed straight into the enemy's arms at Santiago, and thus easily earned her indemnity, would not be wholly unknown. The case of a vessel worth £30,000, whose insured value for national indemnity would be raised to £50,000, would also not be unknown. Certainly, the proportion of losses by capture, when encouraged by a certainty of full compensation, would be greater than if there were no such certainty. The extent of the risk to the State would be unknown. It would certainly be very great. It might be tremendous. It would unquestionably be such as could not prudently be added either in the shape of an immediate levy of taxation or in the shape of debt, to the burdens on a country already weighted with the increased taxation and swollen debt necessitated by war. It is for these reasons that I myself think that a scheme of national indemnity could not be reasonably entertained or safely adopted by the State.

136. I think I have very few supplementary questions to put to you. I gather that you do not attach any serious importance to the Admiralty regulations as a prevention of the wilful loss of the ship, or of the shipowners taking improper risks?—The whole question of Admiralty regulations—which, by the way, is one of the points in the schemes—is really a subject in itself. Generally speaking, I think the complications and the exigencies of modern trade are such that it would be impossible for that trade to submit itself to any Admiralty regulations as to when and where they should start, what they should do, and so forth. In regard to regulations as to convoy, I think, from a military point of view, convoying might be equally efficacious as it was in the old war, and probably, if coupled with a system of patrol and fixed points or stations at the crossings of the lines, it would be more efficacious. But to make Admiralty regulations that ships should gather together and wait—ships which are costing the owners perhaps £50 a day for demurrage—I think it would be impracticable, and would be equivalent to stopping the trade.

137. To take a typical case, which, I think, has been suggested to you, suppose the Admiralty told the ships that they must go north about instead of coming up the Channel?—I do not think there would be a great difficulty in that. Of course, a ship might in certain cases go into a navigation risk, which would be thus caused by the State.

138. It might again, under certain circumstances, practically close the Suez Canal for trade, and the Admiralty might say, for a certain time that route is not safe, and indemnity can only apply to ships that go round the Cape?—That is a regulation which I think would be one of the easiest of all to be enforced. I think there would be no difficulty about that at all. Where I see a tremendous difficulty would be in ordering ships to conform to certain places and dates, rates of speed and all the things that an admiral would like to have them do if he were to have to take charge of them.

139. I was not contemplating a system of convoy. I rather assumed partly for the reasons you have mentioned and partly for other reasons that that was out of date. What I was assuming was that the Admiralty would give certain directions which would at any rate exclude the State from having to indemnify for what anyone with reasonable skill and knowledge could have said beforehand was not a fair risk to run?—I think it would be much better to let

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the shipowner take his own way of avoiding the risk. They are cleverer and dodgier than the Admiralty would be. They probably could give points in methods of escape and methods of cheating, which are after all the methods of war. The methods of war are methods of deceiving our enemy, are they not? The shipowner is very good at them, and I think he would probably take better care of himself than any regulations could take care of him.

140. My point was a little different. It was not to suggest that the Admiralty would in such matters manage better than the shipowner or the shipmaster; but could you not conceive of the Admiralty laying down certain general rules of conduct of a wide kind such as those I have suggested, which at any rate would make it very difficult for the shipowner wilfully to throw away his ship on a hopeless errand, and yet to claim the guarantee?—I would back the shipowner against the Admiralty, if the shipowner meant to get the utmost out of the compensation. With regard to regulations I think that such a large and wide regulation as you have suggested with reference to the closing of the Suez Canal there would be no difficulty at all about. But I do not think Admiralty regulations would prevent the perpetration of fraud. I think that is one of the great dangers of the scheme. Barratry has become one of the fine arts, and I should be very sorry to expose the State and the taxpayer to what I think would be a very greatly increased danger of this kind.

141. (*Sir George Murray.*) Taking the very cheerful view which you developed at the beginning of your evidence about the prospects of our trade in time of war I do not quite follow the objections which you raise in the latter part to a system of indemnity. Surely the worst you can say of an indemnity scheme would be that it would be almost nugatory and cost nothing?—I have, as I think, reduced it to the naked risk. I have taken war with Germany at 1 per cent., whereas it is sometimes estimated at 10; but even then I show that the cost would be tremendous.

142. Is that consistent with the view developed in the earlier part of your evidence, that in time of war everything would go on almost exactly as it does now, that our supplies would come in with the same regularity, that no ships would be laid up and none transferred and so forth?—I think that even the 1 per cent. is higher than it would be, but call it $\frac{1}{2}$ per cent., that is only one vessel in 200 or one sovereign's worth in 200 captured by the Germans. I think it is very likely it would not be more than that. But I am taking a very much more moderate view of what would be our losses by capture than the experts, even though on my view they would be considerable. What is at the bottom of my mind is the very great extra risk beyond the real naked war risk that would be imposed upon the taxpayer by the temptation, not to put it too finely, for fraudulent claims. I think these claims could be increased immensely.

143. If you could eliminate fraud and all other considerations of that kind, your objections to the scheme would be a good deal diminished, I take it?—If the sky fell we should catch larks. I do not think you can eliminate fraud. It is one of the dangers in these cases.

144. (*Chairman.*) You do yourself a little injustice by speaking of fraud only, do you not?—Quite so.

145. Your fear is equally of recklessness the moment the check of possible loss is withdrawn, is it not?—Yes. Fraud is too strong a word I agree. I do not mean only fraud. I think it would be recklessness like the vessel that sailed into Santiago. "If she gets in, all right, if not, we are indemnified." There is no sort of risk you cannot get a shipowner to undertake. My real fear is of the very considerable addition that would be made, as it were artificially, to the amount the State would have to find. The real risk I think does not reside merely in the state of war.

146. (*Sir George Murray.*) It is over and above what the risk would be if it was met by ordinary insurance?—Yes.

147. It is the additional risk which a State scheme of indemnity brings in?—Yes.

148. (*Sir George Clarke.*) Have you considered how far the present doctrine of extending contraband affects your objection to the "free ship, free goods" doctrine? If contraband is extended, as it has been to food, coal and raw material, even to such matters as cotton, does that not very much affect the position of the neutral?—No doubt any extension of the doctrine of contraband does affect the position of the neutral.

149. As goods of almost all kinds have lately been declared contraband, does the point in the Declaration of Paris you object to hold as much as it used to?—I do not quite agree that almost every kind of goods has been declared contraband. I should put it, if you will permit me to say so, in this way—that governments have attempted to declare goods of many kinds contraband, but their declaration has constantly remained ineffective, because unsupported by the decision of the only authority, which is a prize court. Take the case of rice in the recent French war in the Far East. The French declared rice contraband of war, but that did not make it contraband of war. No French prize court was ever appealed to, and so there was no authority for it. I do not know whether I make it clear, but there is a very great difference between the statement of the government of a state that they regard a certain thing as contraband, and the authoritative decision of a prize court which alone constitutes it so.

150. We have seen some rather curious decisions of prize courts in Russia?—Yes, we have.

151. That might repeat itself?—Certainly.

152. Then I think you said no legal difficulty exists to the transfer of ships, and you quoted the "Baltica" decision. Is it not the fact that the principal laws of a great many countries absolutely prohibit it as matters now stand, and that the "Baltica" case cannot affect that?—Yes. Take the case of the United States laws. They will not accept ordinarily for an American register any vessel not built in the United States; but see the effect and how that has been evaded! The Morgan Combine has got a million of our tonnage. The law is evaded by keeping on the British register.

153. But that is not the same thing; it is not transferred to the American flag?—No, it is not.

154. There are not many countries that ships may be transferred to in time of war, are there?—I do not know that. They could be transferred to Belgium, to Holland certainly, to Norway, to Denmark and to Sweden. Then I think they could certainly be transferred to France and to Spain; we sell any amount of our ships to Spain.

155. In peace time?—Yes.

156. Those cases you presented to us were transferred to Belgium and Denmark, but of course no belligerent would recognise transfers to such countries as those in time of war?—Why not?

157. They could not permit it. These would be obviously not *bona fide* transfers, but transfers solely made in order to evade capture, and a strong belligerent would not recognize them?—Why should they not be *bona fide?* I am not considering pretended transfers. A pretended transfer would not be acknowledged, but in the case of a *bona fide* transfer of a ship that was paid for, I cannot conceive any belligerent refusing to acknowledge it. I do not think it has ever happened before.

158. It has never happened on a large scale, has it? Indeed it has.

159. Not on a large scale, surely?—Not on an immense scale.

160. (*Chairman.*) I think you have pointed out to us that it follows from the "Baltica" case that you need not pay cash down for the whole value of the ship?—The essence of that case was that she was transferred on the seas, which is often considered to be a great difficulty. She was on the seas at the time she was transferred.

161. Do you happen to remember the case of the "Ariel"?—I have heard the name.

162. That was almost at the same time, and I think it was a ship belonging to the same owner. Part only of the purchase money was paid at the time of the purchase, and the remainder was agreed to be paid out of the earnings of the ship. The Privy Council held that the non-payment of part of the purchase money did not create a lien on the ship in favour of the seller, so as to render the ship in the possession of a neutral owner liable to seizure by a belligerent?—I remember that case. For myself I cannot conceive

any belligerent refusing to recognise what is so ordinary and so accepted a thing as the *bona fide* transfer of vessels for cash.

163. (*Sir George Clarke.*) A transfer to avoid capture, not a transfer as a matter of business is what I am considering; and the question is if that were going on on a very large scale whether the belligerent would say, "This is rather too much, I do not recognise it," especially in the case of a transfer to such small countries as are the principal people whose laws permit transfers?—I confess I can see nothing in practice or in principle or in previous history that would justify or encourage a belligerent to refuse to recognise a transfer lawfully made.

164. Then there comes the question of the crews and the officers; are they to be denationalised, or would the ships be filled up with crews from other countries?—I think they would generally have neutral officers and men.

165. Or the crew would go over to the neutral flag, thus denationalising themselves?—I think the greater part of the crews would be furnished by the neutrals. But you must remember that in modern days the facilities for abjuring your allegiance and for taking on a new allegiance are very great. Our own belligerent crews might perhaps be tempted by high wages to ship in the neutral ship.

166. I think you told us that the United States transferred a ship or two to the Belgian flag because of the fear in the United States of the Spaniards using privateers; but you have modified that now, since the Chairman has explained that both Spain and the United States adhered, for the purposes of war, to the Declaration of Paris?—Pardon me, they did not. What they did was, they said they would waive the exercise of their rights during that particular war, and Spain expressly excluded the first Article of the Declaration of Paris.

167. Therefore these ships could not have been transferred from the United States flag to the Belgian flag owing to the fear of the Spaniards using privateers?—What the reason may have been that actuated those who made the transfer, of course we do not quite know; but the fact of the transfer, you will remember, I quoted from Mr. Wilson's book called "The Downfall of Spain," that is my authority. He says all the American liners were transferred to the Belgian flag.

168. Did they hoist it?—I have not followed it further than that.

169. I think that wants investigation?—I think the scare was of short duration. They very soon saw they had not much fear of Spain whether from privateers or from cruisers, and they probably re-transferred and re-hoisted the Stars and Stripes.

170. Then you refer to the big ships which the United States commissioned as auxiliary cruisers. Take the "St. Paul" and the "St. Louis"; why do you consider them in any way less efficient for the purposes of attacking our commerce than privateers? It seems to me that they would be the most dangerous antagonists to commerce that could be conceived?—I do not think them less dangerous; I do not think I committed myself to that.

171. You gave me that impression?—What I meant to suggest is that they are exactly the same as privateers.

172. Then the declaration about privateering is of no value?—It is of no value at all. It has been entirely evaded. The "St. Louis," for instance, which you took as an example, is exactly in the same position as a privateer. She is a private ship, but she is subsidised by the Government, and a small portion of her cost or her working expenses is paid by the Government. The essential condition is that she must be commissioned. Instead of being commissioned as a privateer she is brought into the navy and commissioned as an auxiliary. She is subject to all the regulations of war. Our privateers were exactly in the same position. The difference, if I may try to crystallise it, is that in the old privateer case it was a part venture for a part prize of war by an individual, as compared with a general venture for the general prize undertaken by the usual subjects out of war expenditure, that is, the naval expenditure. There is no essential difference between the modern privateer and the ancient one.

173. Therefore, you think the modern privateering in its new form is just as dangerous to commerce as was the old privateering?—Yes, I do.

174. It follows then, does it not, that that part of the Declaration of Paris does not matter, because the privateer remains in another form?—It follows that that part of the Declaration of Paris has never been carried out. That is the way I should put it.

175. It is inoperative?—Yes.

176. Therefore, privateering, though in another form, remains to this day?—Certainly.

177. You say war with the United States would not stop our supplies?—Yes, I do.

178. We draw a great deal of supplies from the United States; would those come through Canada, or would they stop altogether?—I was not dealing with it from that point of view. I meant that such a war would not prevent access to our shores.

179. I am thinking of the supplies coming from the United States?—Clearly they might put an embargo on corn. I think even then a great deal would come through Canada. But I was dealing with the avenues to these Islands, and the impossibility of closing them.

180. You did not mean an economic stopping of supplies due to a state of war, but merely stoppage by the United States of ships at sea?—Certainly.

181. May I sum up your general contention as it appeared to me: That insurance rates would never raise prices sufficiently high to affect the nation as a whole. Is that your view?—I took the conclusions of the Commission as to prices, and I draw the inference from their conclusions that supplies would come in practically the same amount, and that therefore there would be no rise in prices.

182. That is pretty much what I said. You think that insurance rates would never raise prices enough to affect the nation as a whole—because that is the point for us to consider, and if that contention is correct, *cadit quæstio*?—Insurance rates, whether high or low, I hold, fall upon the consumer alone, and consequently not upon the nation at large. That is what I have tried to put. You, the consumer of such-and-such an article, shall pay the increased price of the insurance of that article; I, who do not consume it, should not pay it.

183. But the insurance rates, you think, could never raise prices high enough to become a serious national question?—No; I do not think they would in case of war.

184. You do not think that insurance rates will cause British shipping to be transferred to a neutral flag?—In certain cases, as I have said—for instance, in case of war with the United States or with France—I think there would be very material and considerable transfers.

185. Because of the height of the insurance rate?—Because of the doctrine that the neutral flag covers the goods.

186. Because of the fear of great insurance rates?—That would be the final cause. The final effect would be the partial exclusion of our flag, so far as it could be excluded by international law.

187. I think you wish to impress upon us that it is not necessary to make any special provisions against a panic, even though the panic need not be a silly one. That is not a thing that we need take into our consideration?—May I remind you what happened when the existence of England depended upon it, and two policies were discussed during the French war? One was whether we kept our fleet, as Lord Howe desired, on these shores to defend us against the French and their allies (at one time the whole of Europe), or whether, as Lord St. Vincent desired, we sent them out to fight on the five-fathom line of the enemy's coast. Lord St. Vincent said: "The old women of both sexes want the fleet kept at home; I am for taking it to Toulon, and all these other places, and fighting on the enemy's coast." Surely that is the answer always to people who are affected by panic?

188. I am afraid that is not so, and I am afraid we are much more liable to panic than we were in the days of St. Vincent. Anyhow, you feel that we should not be justified in proposing any special measures merely to guard against panic?—I do feel that very strongly.

189. (*Mr. Beauchamp.*) You have almost ruled out as impossible a war between this country and America and France, and you have confined your investigations in this matter chiefly to Germany?—Mainly to that.

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But I have not left America and France out of possible account, of course.

190. If we were at war with either the United States or France, I think we are all agreed that our supplies would not be stopped, but that they would be hindered in coming in?—Yes; I think they would be hindered—not to a material extent, though.

191. If they were hindered, would not that cause a rise in the price?—Yes; I think it is quite possible it might. I have based myself largely upon the conclusions of the Commission which took the evidence of persons much more competent to speak on this matter than I am; and they came to the conclusion that there would be no diminution in any war.

192. If that is so, the price would rise whether we had a system of indemnity or a system of an insurance or not?—Yes; but you see the Commission say that they do not anticipate any considerable rise in price. They look for a small rise. If you will pardon me for saying so, I have not thought it my business to go beyond the conclusions of the Commission in that respect. I have adopted them and I have worked upon them.

193. On the question of the rise of freights, you seem to think there would be no transfer in consequence of the rise of freights, and that the British shipowner would still go on because he would get a higher freight?—I should say so.

194. But if the freight only rises in proportion to the cost of the war insurance, the shipowner would not make any greater profit than before?—No; in that case he would be in the same position.

195. He would be in exactly the same position, would he not?—Exactly; the one would be compensatory of the other. And then I think he would still go on.

196. But the rise in the cost of the war insurance of British shipping would place him at a disadvantage in respect of the neutral, would it not?—Yes.

197. And therefore he would not be able to compete on equal terms with the neutral, and the neutral would get the carriage of the goods instead of the British shipowner getting it?—I am not sure. I think that again depends very largely upon the war, and upon the amount of pressure that the war exercised upon British shipping. Just see how we compete with the vessels of other nations, although they have easier conditions with regard to deck cargoes, cheaper crews, and everything else. Thus we are at some disadvantage; nevertheless we go on fighting them, and, on the whole beating them.

198. If we were at war with France, the war insurance of everything coming from the Black Sea, for instance, might—or would, I think—rise?—Yes; I put it at double the risk of a war with Germany. The Mediterranean trade would be seriously impaired.

199. And that, of course, would increase the cost of the article to the consumer?—Yes, anything no doubt that interferes with trade would. But as I have told you I have put it at 2 per cent. I look upon it as so much more serious than a war with Germany, partly in consequence of the Mediterranean.

200. Do you think that during a war with France the rate of war insurance in the Black Sea would be as low as 2 per cent?—No; I do not say that. Mine is a view of the naked war risk realised over several years of war. If I may use the illustration, it is what I think would correspond to the 2½ per cent. realised war risk during the 20 years of the Revolutionary and Napoleonic wars. On the whole, we lost 2½ per cent. of our trade then. I do not think we should lose as much now. I think it would be 2 per cent.

201. Two per cent over the whole?—Yes; but it might be 20 per cent. for a month or a year.

202. And in certain localities it might be much greater?—Yes, certainly.

203. Everything coming through the Mediterranean would have a greater risk of being captured than on any other route?—Certainly.

204. Assuming that on a vessel from the Black Sea the rate of insurance would be 5 per cent., which I think is not over the mark?—I think it might be that.

205. Assuming that the ship is of the same value as the cargo, then the owner of the ship would seek to recover the cost of the insurance of the ship by charging an extra rate of freight on the owner of the cargo, and assuming that to be equal, the cargo owner would have to pay 5 per cent. on the value of the ship and 5 per cent. on the value of the cargo, which would raise the cost of the cargo by 10 per cent?—Yes.

206. Do you quite agree with that?—I follow it. On those assumptions those consequences would ensue.

207. Do you not think that a rise in the cost of the article by 10 per cent. would be or might be a serious burden on manufacturers and on the consumers generally of that particular article?—Yes. But while I agree in that particular case that the assumption you make would be followed by the consequences you suggest, I still say that on the whole no such consequences would ensue, because there would not be on the whole any diminution of our raw material or of our food. Your ship that comes from the Black Sea with the extra 10 per cent. on her has to compete with another ship that brings the corn, if it be corn, as I suppose it would be, from the Argentine, which has no such 10 per cent. put on her. Then either the grower of the Black Sea corn has to put his prices down somehow in order to equalise it, or the ship stops running, and you get your supplies from the Argentine alone. That is the way in which the one thing compensates for the other. I do not think there would be any 10 per cent. generally all round.

208. It would only be with regard to those particular voyages which were subject to the greater danger?—With regard to the particular voyage there might perfectly conceivably be the 10 per cent., and yet there might be no general 10 per cent., because the bulk of the stuff might come from elsewhere. Then comes a battle and you smash the French fleet, if it is to be the French fleet, and then away goes your 10 per cent. and everything, and your insurance falls to the normal, and the trade is resumed.

209. You said shipowners always made a profit on a total loss?—That is a presumptuous thing to say, but that is my idea.

210. I do not myself quite agree with that statement. You say that in the case of a national indemnity, neither the shipowner nor the underwriter would go against the captor, and seek to get back either in specie or in bullion his loss. Could it not be made a condition of any indemnity that he should subrogate all his rights, and that then the State would be able to sue in the name of the owner of the cargo and get it back?—Yes, that could be done. I think if you had any system of indemnity it would be absolutely necessary to have that as a condition; but even then it would leave the State at a great disadvantage as before the Prize Court, would it not? Because the Prize Court would feel that it only had to condemn to make it the property of the enemy State.

211. But the action would be brought in the name of the original owner?—No doubt, only the Prize Court would know very well that condemnation meant a fine on the enemy Government.

212. The rights would still remain, however?—Yes, they would.

213. And that might have an influence on the Prize Court?—On the mind of the Court? I think it would.

214. I did not quite follow you in what you said with regard to the cost to the State under this scheme. Assuming that the loss is only 3 per cent. per annum, then clearly you have only got to reckon out the 3 per cent. on the 714 millions?—It is not per annum. It is per voyage.

215. But the loss is calculated during the year, is it not?—In calculating the loss of shipping some take 2½ per cent. and some 5 per cent. and some 10 per cent. per voyage.

216. The general assumption on the part of the Admiralty, I think, is that the loss is 2½ per cent. per annum. Some witnesses say it is 5 per cent., and some say it is 2½ per cent., but that is per annum and not per voyage, I think?—Mr. Leverton Harris, a shipowner and underwriter, whose words I have quoted, says, "Assume 5 per cent. per voyage on a tramp steamer crossing the Atlantic."

217. That is the premium he would charge?—Yes.

218. But Captain Mahan and all the authorities have said that the loss during the old Napoleonic wars amounted to 2½ per cent.; that is, 2½ per cent. per

annum?—It is 2½ per cent. on the whole war—that is 2½ ships out of every 100.

219. That is even better, because if it lasted five years and was only 2½ per cent. over five years, it would only be a ½ per cent. per annum?—On that assumption, yes.

220. (*Chairman.*) This is the point that I tried to put to you earlier. Is not that 2½ per cent. of the number of ships afloat, not 2½ per cent. of the number of ships multiplied by the number of voyages they make?—I was very careful on that point, and I think I could show the Committee that the contemplation of Mr. Douglas Owen and Mr. Leverton Harris, both, remark, underwriters, was a war risk per voyage.

221. (*Mr. Beauchamp.*) I am differentiating between the conjecture of any underwriter that the premium would be 5 per cent. and what actually happened in the old wars. In the old wars the loss was only 2½ per cent., or as some say 5 per cent. on the whole?—That is so. Do you suggest that when an underwriter takes all the risk for 5 per cent. per voyage, he means that the true naked war risk, as I venture to call it, would be 2½ per cent., and his profit the other 2½ per cent.?

222. No, I do not quite say that. I say that no man can estimate beforehand what the cost of insurance would be in any future war. Mr. Leverton Harris and Mr. Douglas Owen think that it might be 5 per cent. per voyage, which would naturally depend upon what the voyage was. I have taken what Captain Mahan lays down, that the actual loss to the British during those years was 2½ per cent. of their shipping; therefore, clearly the calculation ought to be based on the probable loss of our mercantile marine, whatever it might be, and, assuming that the loss of the mercantile marine was only 3 per cent., then I make out that the total cost to the State would be 27 million pounds?—May I say, first of all, that in the old French war we lost about a ship a day throughout the war? With regard to the figures I got from Lloyds, I was extremely anxious to get at some approximate estimate of the cost. I felt that it was not for me to invent the naked war risk for myself. I therefore took Mr. Leverton Harris's conditions and Mr. Douglas Owen's conditions as to the rate, and I came to the conclusion that the rates were much too high. I therefore put my rate lower, but I kept it on the same platform, if I may so speak, and I took it per voyage. It is manifest, as I have said, that the "Lively Sally," if she is captured on her first voyage, does not run the risk of the nine other voyages in the year; but if she completes the whole of her ten voyages she has still a 1 per cent. risk always hanging over her. Of course, you will understand that this is only an attempt to estimate.

223. I want to get at what the probable cost would be to the nation, supposing they adopted indemnity. Therefore, we have not to take into consideration what anybody thinks the premium might be, but we have to estimate the number of losses which would accrue, and by the evidence which was given before the Royal Commission on the Supply of Food and Raw Material in Time of War, it was variously estimated at from 2½ per cent. up to as much as 4 per cent., but I do not think it went over 4 per cent?—I am glad you have raised this point, because to me the only way of getting at the value of a risk is to take the premium that is usually competitively charged for it, and if you deduct from that the underwriter's profit, such as it is, that, to my mind, really does represent the value of the risk.

224. We have never had this war, and therefore no underwriter—and I am an underwriter myself—to my mind, can estimate what the premium would be for any particular voyage?—Then I put it to you, as an underwriter, here is 5 per cent. per voyage across the Atlantic; do you suggest that 2½ per cent. of that is underwriter's profit?

225. No, and I do not suggest that we should charge 5 per cent?—Then you do not agree with your brother underwriter.

226. It would depend entirely on whom we were at war with, would it not?—Entirely.

227. I can conceive that on a particular voyage you would charge 5 per cent., but that is not the same thing as charging 5 per cent. over the whole of your risks, because it would only be on that particular voyage. For instance, for the Black Sea it might be 5 per cent., but you would not pay 5 per cent. from Denmark to the East Coast, and the rate there might be very small?—Yes, and that is the difficulty.

228-9. I think the only basis upon which we can act is the probable percentage of loss in our mercantile marine?—No doubt. But if you send your mercantile marine on 10 voyages in the year it is ten times subject to the loss or to the risk of capture, whereas the merchandise only coming once, or going once, is only subject to risk once. That is the basis upon which I, very imperfectly no doubt, have endeavoured to work it out. My idea, as you see, is that the real risk is much smaller than Mr. Leverton Harris or Mr. Douglas Owen has estimated. I think they exaggerate the risk.

230. I do not know whether they went into all voyages or only into that one across the Atlantic?—We should not allow 2½ per cent. in a war with Greece, nor ½ per cent. I have done my best, that is all I can say, and I submit my work to the Committee.

231. (*Mr. Gladstone.*) You consider there will probably be a rise in freights in the case of a war with America or France, and that would probably prevent owners from transferring to neutrals; and I suppose you also think it would induce them to keep their vessels at sea?—If there were a rise in freights it would. But in a time of scare there would be a fall in freights, because people would say, I am not going to give you the same freight that I give a neutral. But, I think, if there were a rise in freights we should keep on.

232. (*Mr. Jackson.*) I think it is quite agreed, is it not, that the two points which are of importance are: (1) that there will be a fear of the transfer of vessels to a neutral, and (2) also a fear of a rise in the price of food and raw material?—Yes, those are the points.

233. With regard to the fear of a transfer to neutrals I take it that you differentiate very strongly between the fear of such transfer in the case of war with Germany and in the case of a war with France or the United States?—Yes, I do.

234. Surely the whole thing would be governed, would it not, by the freight-earning possibilities of British ships during the war? Is it not conceivable that even when we are at war with Germany, British ships would only get cargo by accepting lower freights, while at the same time the rate of premium on the risk would be such that they would demand higher freights? Is that not conceivable, and is not that a governing factor in all the considerations of the shipowner? Is it possible to differentiate between the one more than the other in such a way as you laid it down?—I should think so, clearly, because to me, whether the risk would be transferred or whether there would be lower freights, with all the sequence of consequences you have put, depends upon the real amount of risk that the shipping runs. If you have a war with Venezuela, for instance, there is no risk, and it can have no effect on trade.

235. I am only talking about Germany. You differentiate strongly, do you not, between Germany and the United States and France?—Yes.

236. Is it not conceivable that even in the case of war with France, the risk of shipping in a British steamer might be much greater than in that of a neutral steamer?—If it were conceivable that the German cruisers kept the sea and made captures, and, generally, that they would be able to terrorise all our ships, I think it would be so.

237. In that case the inducement to transfer to neutrals would be there if we were at war with Germany?—Yes. In that case Germany would be almost in the same position as France or the United States.

238. You recognise that the inducement is the difficulty of a shipowner under the British flag to obtain a cargo for his ship?—That is where it would come in, if at all.

239. With regard to the fear of a rise in the prices of food and raw material, I understand you to say that you did not consider that there would be any diminution in the quantity of food supplies or raw materials in consequence of any war?—That is what the Commission said; I quoted them.

240. And you endorse that view?—I do.

241. In consequence of that you draw the conclusion that there will be no rise in prices?—Certainly. If you have the same amount of stuff, I do not see how you are to have a rise in price.

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242. Is not the general price of an article governed to a great extent by the cost of the material?—The price is the cost.

243. Even if you had the same quantity of stuff, but it cost you 30 per cent. more to get it here, surely the price would go up by that 30 per cent.?—Not if you only have the same demand.

244. Would there be anybody who would be so philanthropic as to sell the stuff at below the price which it cost him?—I think they would be driven to do so, if they brought the same amount of stuff year by year that the people want. I think they would be incapable, *quoad* the war and *quoad* anything that runs from the war, of getting an extra price for it.

245. Then you do not admit that the cost of transport would have any influence on the prices of materials providing that the same quantity got here—that is what you are contending, is it?—I do not think I should like to commit myself quite to that; but I do commit myself generally to this, that if on the whole series of years of war you have undiminished supplies, I cannot understand how there can be any great increase in price.

246. Not although the cost of getting the stuff here was materially increased?—No, because then I think if it had any effect it would have the effect of stopping the supplies.

247. (*Chairman.*) I gather that in the main what you have said has been directed to a consideration of the general results of war spread over a considerable period, as our great naval wars were?—Yes.

248. But you do not exclude the possibility of considerable and even violent fluctuations of price within a limited period?—No; I think that is very possible.

249. I think you told us that you thought the fluctuations would be between narrower limits than was the case in the old time?—Yes, because of the increased sources of supply. When you only had the Black Sea to get supplies from, your Black Sea case was a very strong one, but when you are able to supplement the Black Sea supplies by supplies from Canada and the Argentine, it becomes less strong.

THIRD DAY.

Wednesday, 12th December 1906.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart, M.P.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Captain HARRY JONES, R.N., called and examined.

Captain H. Jones.

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Captain Jones, in a preliminary memorandum,* had submitted:—

(1) That a national guarantee is desirable in order to give effect to the principle that in time of war private property at sea should be in the same position as private property on land.

(2) That it would give an additional inducement to the country to maintain an efficient Navy, and would leave the Admiralty unhampered by private interests in time of war.

(3) That without a guarantee transfers to a neutral flag are to be expected, and would be effective if our enemy and a strong neutral were acting in collusion.

(4) That the heaviest losses to the Mercantile Marine in war time are to be anticipated whenever the enemy takes up a policy of a *guerre de course*.

(5) That the experience of the Naval Manœuvres of 1906 is pertinent, as showing the difficulties to be expected under a scheme of State insurance.

(6) That a gratuitous indemnity is preferable to insurance.

(7) That a scheme (Scheme C), under which the State should indemnify in case of loss only when minor risks had already been insured by the underwriters, would be practicable.

(8) That Pitt's Convoy Act of 1798 forms a precedent for the lines on which the funds for payment should be obtained.

(9) That strict conditions as to inspection previous to sailing and to obedience to Admiralty orders would be necessary, and that neutrals should be treated in the same way as British shipowners for the purposes of an indemnity.

250. (*Chairman.*) You are Assistant-Director of Naval Intelligence, I think?—Yes.

251. And you were the head of the trade division of the Naval Intelligence Department, were you not?—Yes. I held that position for six months, from June to December of last year, and then my duties were changed.

252. In that position did you succeed Captain Inglefield?—Yes.

253. Captain Inglefield gave his views on the subject referred to us before the Royal Commission on the supply of food and raw material in time of war, I believe?—Yes, he did.

254. I understand that you have examined his views?—I have read his papers and his evidence very carefully. He also discussed the matter with me, and explained a great many of the difficulties with regard to insurance laws and customs, which he had been studying for between the three and four years that he had been at the Trade Division.

255. Are you generally in agreement with his views?—Generally, yes.

* *Vide* note, p. iii.

256. What are the exceptions that you would make?—I think that the weak point of his scheme was that he provided no fund from which the indemnity should be paid. He also made no distinction between luxuries and necessities, that is to say, between goods which in war we could get on without and food stuffs and raw materials. They were all on a dead level, in fact. Then apparently the money had to be raised by loan, but he did not go into that matter.

257. On general grounds of policy, do you think that a scheme ought to provide for some contribution from the shipowner?—On general grounds of policy, yes; but I think that Captain Inglefield's argument that the consumer eventually paid was perfectly sound, though perhaps you may not get everybody to believe in it.

258. Do you believe that that would be the case whether you made the charge on the shipowner or not?—Yes.

259. If the charge were made on the shipowner he would recover it ultimately from the consumer?—Yes.

260. I think the view that the shipowner should contribute is one which received the support of the late Sir George Tyron, did it not?—I cannot say so without qualification. Sir George Tyron did not go very deeply into the method of collecting the funds, but there is one paragraph in his article which I might read. He states that "it would not be unreasonable to collect a due on arrivals and departures, based on the value of the ships and their cargoes, and to enforce it against neutrals as well as against our own vessels. The sums so collected to go towards defraying the cost of the protection of trade and of the facilities afforded to commerce." You will see that Sir George Tyron's article is very general, but it pointed to the best method of collecting the funds.

261. Can you state any precedent for a contribution of the kind you contemplate?—Yes. Pitt's Convoy Act of 1798, to my mind, forms an admirable precedent for the lines on which the fund should be obtained.

262. Can you tell me very briefly what its leading provisions were?—The Convoy Act firstly laid down regulations for the merchant ships under convoy, and provided fines for disobedience, so that Admiralty Orders could be enforced. Secondly, it provided a fund by taxation ostensibly for the purpose of defraying the expenses of the convoy, but as for this there would only have been a few frigates, the expenses of which would have been small, it is probable that the fund raised by this taxation must have been very much in excess of the actual requirements for the direct protection of commerce. There was a tonnage due which was levied on British and neutral shipping either clearing or entering British ports, and there was a schedule of taxation, of import duties, on different articles which were imported at that time. This scale is apparently drawn with the view of favouring the necessities and penalising the luxuries, and I maintain we can do the same now.

263. Of course, as you know, Mr. Pitt at that time had a general schedule of customs duties already in force?—Yes.

264. And on that he imposed a higher scale?—Yes.

265. That we have not at present?—We have not so general a one, I admit, but we have the machinery.

266. I just wanted to get your ideas on that point, but I need not pursue it. Will you state to the Committee generally the reasons for which you think a scheme desirable?—I do not think I can do better than refer to Sir George Tyron's views expressed in 1890.

267. Do they represent your own views to-day?—They do.

268. Then perhaps you will summarise them?—If nothing is done, the cost of food to the consumers will be greatly increased in this country and to an avoidable extent. By nothing being done, I mean if we leave things to be settled commercially by insurance.

269. The cost of food will be raised by what?—By the war premiums.

270. Not, you think, by scarcity, but by the war premiums?—Yes. Undoubtedly they must be added to the cost. The next point is that the industries of the people will be greatly checked, and their purchasing power reduced.

271. For the same reason, I imagine?—For the same reason. Then shipowners would be under strong inducement to part with their vessels, and those most marketable would be the fastest and best ships. Then as the people pay for the Navy, the people would pay twice over for protection, as they would have to bear the cost of the excessive war premiums also. But, on the other hand, if the State agrees to bear the loss due directly to the action of the enemy, the preservation of private property at sea will be approximately assimilated to the preservation of private property on land, and effect given to a principle more important to our nation than to any other. It would aid in the maintenance of the industries of the people during a period of war, enabling them to earn wages and the means to purchase the necessaries of life. The public policy of keeping the consequences of a state of war within the narrowest limits will be maintained. It will support the important national interest of keeping and maintaining the lion's share of the carrying trade of the world, and check the undue development of neutral tonnage at our cost. It would have a good international effect, for it would be recognised as a national step taken to preserve our trade and commerce, while it gives no special advantage to those who might look to large profits at our expense as the consequence of our being involved in war. It would act largely in the interest of the maintenance of peace, as it would discourage the idea that we can be attacked through the direct and indirect effect of war on trade and commerce under our flag——

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272. Let me interrupt you there to ask you a question: Are you sure that that would be so? I put it to you that the result would be to transfer the loss incurred by mercantile shipping from individuals in its first incidence to the State as a whole. Would that not be an encouragement to the enemy to strike as much as possible at our commerce?—No, I think not; if I may explain. I think the only way in which a *guerre de course* can be really effective is by bringing pressure to bear upon the Government. If the losses are spread over the whole community, that is the best and most economical way of bearing them, because then nobody will feel the pinch to an alarming extent, and the loss will be moderate on everyone. On the other hand, if things are left in their present condition, the losses temporarily—I do not anticipate for a long period—will be very severe; temporarily they may be very high, for perhaps a week or so. To my mind, that might possibly be more than the underwriters can stand. It may ruin some of the underwriting companies or individual underwriters, and so cause such unrest in the shipping world that immense pressure will be brought to bear on the Government either to modify their naval strategy and to assume a passive defence instead of an active attack upon the enemy; or it may even, in the extreme case, produce an agitation for concluding a premature peace, whereas if the loss is borne by all equally there should be no such inducement. That is my line of argument on this point.

273. (*Sir George Murray.*) It does not reduce the loss, it merely spreads it?—That is it, it spreads it. Then the last of the points which I am summarising from Sir George Tyron is that the more perfect the Navy as to sufficiency and as to organisation, the less the cost of the liability on account of a system of rational insurance or guarantee.

274. (*Chairman.*) I think what you imply by that is, that it would be an additional inducement to the country to maintain an efficient Navy?—Yes, it would. I regard rather, as a parallel, the Navy as a fire brigade, and this insurance as the fire premium. It has been argued that it is a waste of money to devote anything to this scheme, because it would be better devoted to the active Navy. It seems to me that you might just as well knock off paying fire insurance, and devote the money to more apparatus for extinguishing fires.

275. Some of the considerations you have put to us are general, but of course you come here specially to represent the naval view?—Yes.

276. What is the special advantage, from the point of view of the naval administrator, that you see in this scheme?—I think the greatest advantage of all is that it will leave the Admiralty unhampered by private interests. If the loss is national, no shipowner will

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have the right to say, "I have a valuable ship expected at such-and-such a time, and she must be protected." He would be sent about his business at once; and therefore there would be no fear of prejudice to a strategic plan.

277. You would regard it as a safeguard against the influence of popular clamour, would you not?—Yes.

278. Of course, if the Admiralty is influenced by popular clamour its strategy might be injuriously affected in many ways?—Yes.

279. Even though such a scheme as this were in force; is that not so?—Yes.

280. If they were subject to popular clamour and guided by it, they might keep the fleet watching our own ports instead of watching the enemy's ports?—That might be so, if they are.

281. No scheme of indemnity would give us an assurance for the proper conduct of a war if we cannot find that assurance in the strength and knowledge of the Board of Admiralty?—Certainly not by itself. But I think it is due to the men who have to carry on the war that they should be as free from outside pressure as possible.—I do not say that they would yield, and I do not admit that they would yield, but I think in justice to them they should be relieved of interference. The second naval reason I would place before the Committee is that you would insure that the Admiralty shall have adequate powers for a certain limited control over the movements of mercantile shipping in war, which control it is considered would be an advantage to naval operations, and would also reduce the number of captures of merchant vessels. I may say that I do not anticipate that without this national indemnity we shall have no control at all, because I believe we shall be able to do what is required with the help of Lloyd's. I do not anticipate that we shall have great difficulties in that matter. I only say that this national guarantee assists and strengthens our great object of co-operating with the mercantile marine instead of each of us going our own way.

282. Can you tell us in general terms, or illustrate to us in any way, the nature and extent of the control which you think the Admiralty might usefully exercise over the mercantile marine in war?—I think we can send our daily advices to Lloyd's and to other societies that such-and-such a route is unsafe for the present. We shall not tell them when it will be safe, because that may give away a secret. We shall say, You are not to go at present, but if you go you will not be indemnified. We have a division of the Naval Intelligence Department which is constantly examining these questions of the protection of commerce, and different methods are always being thought out. The matter will not be lost sight of, and we shall use the channel of Lloyd's Corporation for conveying what we wish the merchant vessels to do and what we wish them not to do.

283. If any scheme of national indemnity of the kind we are discussing were adopted, I take it that obedience to your wishes would be a condition of the fulfilment of the guarantee?—Yes, non-compliance would mean that nothing was to be paid, in other words, that the Government would be liable for nothing if orders were disregarded.

284. I gather that you think you could convey the news sufficiently rapidly not merely to Lloyd's, but to the ships themselves, to be of real value as a security against their running unnecessary risks?—I think while ships are in port we can get at them through Lloyd's; but we cannot get at them at sea so efficiently as we could wish under present conditions. We hope to improve that. We are always hoping to improve signalling, and wireless telegraphy will help us. For any directions that may be given in port I think the machinery of Lloyd's is most ample.

285. Now, will you please give us your third reason?—The third reason from the naval point of view is, that if the risk is on the ship-owners and the underwriters, they will naturally try to find out all they can about the movements of our own ships and of the enemy. It will be their business in assessing the premium to find out all they possibly can. But the more people who know the movements the more chance there is of the information getting out. We do not want these secrets to get out; and the fewer people who know them the better. I think if this system of State guarantee were adopted, we should be in a stronger position to send people about their business who came asking for news which had better be kept secret.

286. Would not the conditions which you lay down sometimes themselves betray what your movements were, or what action you were contemplating?—We must think about those in giving them. I think you may trust us not to betray anything that we can avoid.

287. So far you have dealt with this subject from the point of view of Admiralty policy, and from the point of view of preserving the supply of food stuffs and raw material to this country at a reasonable price; but I do not think you have said anything about another question which is before us, namely, the danger of the transfer of British ships to foreign powers?—No, I have not.

288. What is your view about that? Do you consider that in a great naval war there would be much inducement to a British shipowner to transfer his ship?—I think there is a great inducement. There are many difficulties, but I think the difficulties could be got over by collusion between the neutral and our enemy.

289. What are the difficulties which you have in mind?—The municipal laws of the different states about the right of bearing their flag. Their regulations provide for the nationality of officers and crew, time of notice, and so on. There are many very great difficulties. But all those can be got over, of course, because they can change their municipal law as quickly as they like if they see any advantage in doing so.

290. Those conditions do not apply equally to all countries, do they?—No. I can let you have particulars of the regulations of the different countries. We have them all in the Admiralty.

291. Perhaps you would supply us with a copy, because we should be glad to have it?—Yes, we could supply you with that.

292. It has been suggested that if such transfers were made the other belligerent would not respect them?—I believe that the belligerent will do what it is his interest to do. If he sees a chance of bringing us to our knees by transferring our mercantile traffic to neutrals, he will do it; and then he will not attack the neutrals, and he will not interfere with the transfer.

293-4. Now, may I ask you as between the two extremes of the different proposals that have been put to us—that for a complete indemnity, and the system by which the shipowner pays some premium to the State—which would you prefer?—I prefer the indemnity pure and simply—not the premium. I think the Government is not competent to take on that business.

295. At the same time, as you have already told us, you think the State ought to levy a contribution from the shipping?—Yes.

296. But in the form of a tax and not in the form of a premium for insurance?—That is so.

297. Will you give me your reasons for objecting to taking that contribution in the form of premia?—I have examined the evidence before the Royal Commission and the various schemes that have been put forward. They all appear to me to be impracticable for different reasons, principally the amount of business that is necessary. If the scheme was to be workable at all, we have no time to practice it, and we have no time to find out our mistakes. I am afraid there will be mistakes. The Government has no knowledge of insurance business, and there are very many difficulties in it; and if every ship has to take out a Government policy, or even if it *is* done through the underwriters, the business will still have to be done between the Government and its agents, and we cannot expect that a new Government department or a new Government business will go on quite smoothly all at once. In this case it will be tried at the very worst possible time, when all the Government offices will be at high pressure with other work, and nobody will have time to attend to it.

298. I understand that you would prefer an indemnity scheme, because, in your opinion, it would lessen the amount of work to be done?—It would immensely lessen it. I say that guarantee only necessitates investigations for the settlement of claims for actual loss. Nothing need be done except levying the necessary taxation until the enemy capture a ship, although, of course, you can appoint your board to deal with the claims when they come in.

299. Are there any other reasons in favour of an indemnity which you would like to give?—I think for the Government to collect premia is not Government business. We have no machinery for it; but we have machinery for collecting taxation. If export taxes or import taxes are impracticable in all cases, you can make it a tonnage due. Taxes are practicable. We have the Custom House and we have the machinery. If import dues are pronounced not to be feasible, the money can all be levied in the shape of tonnage dues, with favourable terms for vessels carrying corn and raw material. You can say, for instance, that the tonnage due will be reduced on ships carrying corn and raw materials. On the other hand, if you want to check the export of steam coal, you may put up the tonnage dues on a ship which is carrying Welsh coal. It appears to me that the machinery exists. For the man who can make the calculation of the sum it is necessary to raise, and how it can be raised with least inconvenience to the country, the machinery is there which will deal with it. Then, again, there is another reason. If you levy insurance premia, it does not matter how low the premia are, but it means a subsidy to neutrals which will be eventually paid by the inhabitants of this country.

300. A subsidy to the neutrals, you mean, in the sense that they are better off by the amount of the premium which they do not have to pay?—Yes. Assuming that the freights are equal to the neutral and the Briton, the British shipowner has to pay for the war insurance not only on his ship, but on the cargo as well; but these insurances the neutral will be free of, so that it means the neutral gets that much more profit. Supposing the British shipowner is just making both ends meet, there will be a direct profit to the neutral, represented by the amount of the Government war premium on ship and cargo, and that will go abroad from this country.

301. Have you considered the war insurance which the neutral will have to make?—Yes, I have.

302. That is sometimes pretty heavy, is it not?—It was pretty heavy in the late war, because there was no agreement about contraband, and the law of contraband was very much extended by the Russians. In the late war both belligerents were dependent on neutral shipping for the supply of coal and munitions of war, and for the insurance of such undoubted contraband traffic considerable premia had to be paid. That can go out of consideration for the moment, because we are not on contraband traffic here. The other interests, those of the owners of steamers and cargoes, who were not intentionally engaged in contraband traffic, were also insured at low percentages varying from about 2s. 6d. to 40s. per cent., I believe. But the necessity for such insurance arose entirely from the wide interpretation that Russian officers were permitted to attach to the term "contraband," and to the fact that in certain cases, under the cloak of their very ineffectual attempts to prevent contraband traffic, they engaged in what was in effect an attack upon British commerce. The necessity for the insurance of non-contraband neutral trade would disappear where neutrals are prepared to defend their rights, and also if one belligerent elects not to interfere with neutral trade in order to facilitate the transfer of the shipping trade of its enemy to other powers. By that, I mean this: Suppose we were at war with France, and France and Germany agree, by a secret understanding, that they are going to ruin our shipping trade and bring us to our knees in that way. Then the belligerent, France, will not interfere with the neutral trade in order that the transfer may be facilitated and our ruin brought about.

303. If you have any other reason, will you please lay it before the Committee?—Every proposal that I have seen for a national insurance involves a fixed rate of insurance. A fixed rate is proposed by some articles in "The Times" of 2 per cent. annually on the ship, and 2 per cent. *per voyage* on the cargo. That is very inequitable, because it means that the insurance rate on cargo would be equivalent to about six times the rate on shipping for the same risk. To fix in this way the rate of insurance is contrary to all the principles of insurance work and underwriting, where the premia are adjusted to the risk. The risks of the different voyages also will be very different. It is patent that a vessel in the Atlantic is not running the same risk as a vessel in the Mediterranean, and the risks will vary from day to day and from week to week. Therefore a fixed insurance is contrary to first principles, to my mind. Again, there is one more objection to insurance. There is a large amount of money expended in war scares and panics which do not result in war. I cannot see how that will be avoided by any system of insurance; whether the insurance is national or whether it is carried out by underwriters, I cannot see how that loss to the community is to be avoided. But by a national guarantee it goes out at once, and on every scare we save that amount of war premia.

304. Suppose the insurance was with the State, and the premia were all paid to the State; then, in the case of a scare which did not result in war, no doubt a certain amount of money would be transferred from the pockets of particular merchants or shipowners to the State, but it would not be lost. I put it to you that it would be a nucleus which would provide against actual loss at a time when perhaps the country was less able to bear it—I mean, at a time of war?—Then you would institute it before war begins. But when are you to institute it, and when can you claim, as a State, that this is open?

305. I suggest that it is not necessary to proclaim. Suppose the Government adopted a scheme of this kind, no subsequent proclamation would be necessary. You would legislate once for all to provide for the guarantee, and it would then be open to a shipowner to take it at any moment?—But then you must have your machinery in operation, and you must have your office always open, peace or war alike, and the staff sitting down doing nothing for 20 years, perhaps.

306. Do you suggest that that would absorb the premia that would be received?—I think it would be very wasteful.

307. Now, I want to put to you one or two objections. It is suggested that to single out these losses at sea for a guarantee by the State is to favour particular interests at the expense of the whole community in a way which other interests on land are not favoured. For instance, it has been suggested at different times that a town might be bombarded, and that we do not guarantee the citizens on land against loss?—I beg to differ. You have already done it on land—in South Africa. You paid up the losses by war on property on land. Men's farms have been burnt, and you have compensated. But you have done it afterwards, and you have not had the machinery prepared; and, probably by reason of not having it prepared, you have paid more than was necessary.

308. I think you must take it that the circumstances are different. In the first place it was, as you say, *ex post facto* payment, for the State had recognised beforehand no claim on the part of the person whose property was destroyed?—I think we should be in a stronger position if we extended it to all loss caused by the enemy. I am quite willing to see that, and I think it would be right. I think if we got a raid and a farmer's horses and cattle were seized by the enemy, so long as he had obeyed the orders of the military in endeavouring to drive them off, or whatever orders they may have given, he should be compensated. The State, and not the individual, makes the war, and I think the State should bear the loss. Besides, I think it is the most economical method.

309. That rather takes me to another point. When the State bears the loss, do you think the losses will have a tendency to get preternaturally large?—I think they will if you do not guard yourself against that, but I think you can guard yourself against it, as scheme C shows, by confining the losses to purely material things. But I think if you enter into contingent losses the State will inevitably be cheated.

310. Scheme C was a scheme that was prepared in the Intelligence Branch of the Admiralty for our consideration, I think?—Yes.

311. By material losses, you mean the direct loss of ship or cargo, I take it?—The direct loss at the hands of the enemy. I should not include deviation; but I should include capture, destruction, and seizure, and also stranding to avoid capture, because it should be the duty of a merchant vessel if he cannot get away, to run ashore to avoid capture, if he can.

312. It is suggested to us that if you give this indemnity you will, in fact, make the loss of the ship often a profitable operation to the owner, and that instead of seeking, as you would desire that he should, to avoid capture, he might almost deliberately run into

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the enemy's hands in order to be captured and to secure his indemnity at once?—I think you can avoid that by arrangement in the settlement of claims. I should not allow the shipowner to make a claim for a definite sum. He says he has lost a particular ship; you have all the particulars of the ship in Lloyd's Register, and he can show his accounts as to when she was repaired last, and how much it cost him, and it should not be impossible then for a Board to value it. So he will not know what he will get, and it will be very difficult for him to say what profit he can make. Of course, there is the possibility of ships being sent out to sea which are worn out and worth nothing. But I think you can guard against that. You must guarantee everything that is working at the time of war—you must accept that risk; but I think you can rightly not allow other vessels to depart from the United Kingdom unless passed by the Board of Trade, say. Perhaps there are several old steamers lying up that are of very small value indeed, and are never going to be used again, and I should prevent those coming in; but you can easily do that by inspection.

313. In your opinion it would be easy to ascertain after the loss had been incurred what was the value of the ship itself, and what was the value of the cargo on it, would it not?—There I speak with no authority of course. But I cannot conceive that there should be any difficulty. You have all the particulars of every ship on the Register, and I think that business people should be able to assess the fair value.

314. Did the scheme which the Admiralty elaborated for the late naval manœuvres give you any experience in this subject?—It gave us a great deal of experience.

315. To what effect?—Firstly, the difficulties of arranging the details beforehand were very great, and also the difficulties of settling the premiums and the risks which the premiums covered.

316. In that case I take it you are speaking of the premiums which the Admiralty had to pay, because, I think, the Admiralty was the insurer?—Perhaps it would be as well if I explained what we had to do?

317. I think it would, if you would please do so?—We wished to test the measures for protecting the trade and to get some idea of what dangers there might be. It was suggested in order to enable the mercantile marine to take part that we should ask the shipping that was passing across the Bay of Biscay from England to Gibraltar, and back again, to play the game with us, we paying any of their expenses for demurrage for lengthening the voyage, because they would be told to deviate to a certain extent. Apparently that was very simple, and if the underwriters had not come into the question, it would have been merely a matter of bargain between the Admiralty and each individual owner. But as soon as we began to elaborate the scheme we found there were immense difficulties. Immediately a ship deviates from her direct course between two ports, the insurance policy is vitiated at once, so that if a shipowner took part in the manœuvres and then had a collision, the underwriter would not pay under the ordinary policy, though it had nothing to do with the manœuvres at all. Also there was the danger of claims by the owners of cargoes, and other matters of difficulty. We found that the difficulties were far greater where the ships had general cargoes than where they had complete consignments. The ships going from Cardiff with coal only were comparatively simple to deal with; but with the Liverpool ships particularly, which do a more general trade and have numerous owners of their cargoes, the difficulties were very much greater, and it was proposed that we should get over them by taking out an insurance policy to cover them, the Admiralty assuming these risks due to deviation and claims on cargo and so on. There were a great many interests to insure, and we were to be covered by a policy taken out at Lloyd's for 10 millions to cover the total value of the trade. The arrangements were started just about this time last year, and the manœuvres were in June. It took very frequent meetings and a great deal of discussion and negotiation before the method of collecting the premia and getting the people in was settled; and even then it was such a new thing that a comparatively small proportion of the shipping came in—practically none from Liverpool.

318. Of course, the shipping had no inducement to come in, except a patriotic desire to assist the Admiralty in an interesting experiment?—They were paid reasonable expenses for demurrage, which had been assessed at so much per ton, so that they should not be out of pocket.

319. Your object was that they should not be out of pocket?—Yes, but they were not to make a profit out of it. The difficulties were very great in arranging the premia and in doing the preliminary work of the insurance. On the other hand, the work on the settlement of claims, so far as the material losses were concerned, was very small, and they were settled with very little difficulty indeed. Admiralty officers met some experts from Lloyd's, average adjusters and so on, and they were settled with very little difficulty, except in one case. That was a case which, to my mind, if you enter into insurance work again, shows how difficult it may be to distinguish if you go on the principle of having policies of insurance, whether it is the State's risk or the owner's risk.

320. Could you tell the Committee what the case was?—I speak rather from hearsay, but I think I can give you the facts. It was the case of the "Torrington." The policy only covered a certain time when ships entered the manœuvre area on a certain date. We did not ask ships to delay to come in. We only wished to take the ones that were on their ordinary voyages. The owner of the "Torrington" wished to come in, and he telegraphed to the Admiralty to say that he was detaining his ship in Cardiff for a day or two so that she could come into the manœuvres. No notice, apparently, was taken of this telegram, so, perhaps by silence giving consent the Admiralty consented to this delay. Before the ship got into the manœuvre area at all, and before she took part in the manœuvres, indeed in leaving Cardiff docks, there was a collision, and damage was done and the claim arose. Then came the question, Whose policy? She was not taking part in the manœuvres, but the owner of the cargo says, You did not go straight on your voyage, but you deviated. The claim is still being discussed, but I believe it would not be difficult to settle it, except that the Government must protect itself legally, and it cannot settle matters in the way that underwriters do, but must refer them to the Crown lawyers and so on, and then when once it has to go to the law, of course there is delay which is detrimental to the business interest.

321. Is that not perhaps a great objection to the State working in this field at all?—It is. But if we do not enter into insurance I still think that if we carefully define what we are responsible for, we can be all right, and then we can leave the insurance difficulties to be settled between shipowner and underwriter, as they are now. I cannot see why we need enter into the insurance question at all. If we say, We will pay up if you are captured by the enemy, or if you are detained by the enemy, or if you are run ashore to avoid the enemy, and then we pay up for any of those, but for nothing else; if we say, We do not pay you for demurrage, and if we say, We do not pay you for loss of market or for having to go round the North of Scotland instead of coming up the Channel, and so on—that is the fortune of war, and you must abide by it—then I believe the shipowner and the underwriter will find a way out of the difficulty.

322. So that your proposal, to summarise what you have been saying to us, is that, in the first place, there should be a guarantee rather than a system of insurance?—Yes.

323. And, in the second place, the funds for that guarantee should be met in part by a tonnage tax?—Yes.

324. Or by dues levied on shipping, British and neutral?—Yes.

325. And, in the third place, that the losses for which you pay should only be the direct losses of war?—Yes.

326. And all indirect loss should be excluded?—Yes.

327. (*Sir George Murray.*) Does your scheme contemplate indemnity as regards cargoes carried between neutral ports?—No. If you will turn to scheme C you will see under I, "Persons entitled to claim indemnity" "(b) The owner of any cargo liable to capture carried in such ship." I should prefer to amend that so that it shall read, "The owner of any British cargo," because by the Declaration of Paris neutral cargo in a British ship is immune. I think it would be right to assume

that our enemy will abide by that Declaration; if he does not, it will tend to embroil the neutral with him, which we should like. Cargo between neutral ports is obviously neutral cargo.

328. Not necessarily, I should think?—No, perhaps not necessarily; the Declaration of Paris says "neutral cargo," but omits to define what neutral cargo is, and I should think there would be endless arguments about that.

329. Would you cover a British ship between neutral ports?—I would cover the British ship and British property.

330. I was thinking of the bearing of that on your scheme of tonnage dues; those ships would pay no tonnage dues at all, would they?—No. Do you think there would be many constantly trading between neutral ports and not returning to England?

331. I imagine there would be a large trade of that kind. Have you thought at all what amount your tonnage duties ought to raise?—No, I have left that to the experts. I cannot pretend to be able to say.

332. It might, of course, be a great deal more than you wanted?—It might; but then money will be wanted at the time, and in large amount, for the prosecution of the war.

333. Then the scheme would not earmark the tonnage dues to this particular indemnity, but you would take them in as part of the ordinary revenue of the country?—I should.

334. So that they could be applied to any purpose?—Yes.

335. (*Sir George Clarke.*) You alluded to Pitt's Convoy Act; is it clear that it only applied to paying the cost of convoying, and that it was not applied towards giving compensation; or did it provide compensation?—It did not provide compensation. That was left to underwriters in those days.

336. Was it only paid to the Admiralty for doing what was really part of its duty?—Ostensibly.

337. Is it the fact that the Admiralty has given up all idea of convoying in these days?—Generally speaking, yes, I should think so; but in particular instances it may be necessary to convoy.

338. You have not come to the conclusion, then, that convoying is now impracticable as a means of protecting commerce?—As a general means of protecting commerce, I should agree with you that it is impracticable.

339. The Customs tariff of that time, of course, was an elaborately differentiated tariff?—Yes.

340. And, therefore, this might have been imposed for other than the particular purpose of providing for convoying; there might have been other motives?—Yes; but ostensibly by the Act that was the purpose of raising this money, though it must have been very much more than was necessary.

341. Therefore, probably, other motives were at work?—Probably.

342. (*Chairman.*) I understood you to speak not of a general customs tariff, but of a special tax or percentage superimposed upon it?

(*Sir George Clarke.*) That is not the case in the Act, is it?—There was a tax of so much on every article which is specified.

343. It is not a surcharge at all, it is a specially imposed tax, is it not?—Yes.

344. One notices that under the tariff wheat came in free, and there was a heavy tax on French wines, for instance?—Yes, that is so.

345. So there were other motives involved than the motive to provide money for convoying?—Yes.

346. Do you think the imposition of a tariff of that kind at the present day would be a practical measure?—In peace, no, but in war, yes; because you must raise the money. The cost of war will be very great, and you will have to get the money somewhere.

347. Do you think that in time of war we should be able to impose an elaborately differentiated general tariff, suddenly?—There I will not answer, because I do not know anything of the subject. I can speak with no authority as regards taxation. But still the tonnage due is certainly practicable.

348. It was imposed on outgoing and incoming ships?—Yes.

349. It was a capricious tax, and varied from 3s. to 6d. per ton?—I have not the amounts before me, so I cannot speak to that, but I take the figures from you.

350. It was not a general tonnage tax?—I thought you said it was capricious.

351. I will not call it capricious; I will call it a variable tax?—Mr. Lindley has handed me a copy of the schedule. It was probably well thought out at the time. The taxes on the short voyages are apparently small, and on the long voyages large.

352. It has been hinted that increased tonnage dues might be imposed on neutral shipping: would that not be likely to tend to keep foreign ships away from our ports?—Not if both are treated equally.

353. It has been hinted that there should be a special rate and a higher rate imposed upon neutral shipping?—I do not see any reason for doing that.

354. Would you be against it?—I should be against that. I should treat them both alike.

355. Anyhow, do you think that the double interference with trade in the form of a new tariff, and of a sudden large tariff on the outset of a war, would be a desirable thing?—Yes, because it would supplant the very much heavier impost of the war premiums.

356. Do you think that on the whole it would cause less disturbance than a war premium?—Far less.

357. If the tonnage tax depends upon the tonnage and not upon value, take diamonds, for instance, that would mean, might it not, that foodstuffs and raw materials would be penalised?—Yes.

358. Do you think that is desirable?—If you combine the two then, by means of the import dues, you could get over that difficulty at once, because you could put a high tax on the import of diamonds and nothing on the import of corn. If you can show that the objections to the import dues are too great I would get over that by laying down tonnage dues at so much, and letting the necessaries, corn and raw materials, off easier. I should say, for instance, that there should be no tonnage dues at all on a ship carrying such, or only half the usual dues—as may be thought most desirable.

359. Then you would propose to vary tonnage tax in accordance with the commodity carried in the ship?—Yes, I should do so, if you cannot go the whole way with Pitt.

360. The high-speed vessels, of course, could not escape those tonnage dues, although their war insurance rate might be very moderate by reason of their speed, would not the effect of it therefore be rather in favour of the slow ships?—It might be so; but if it is desirable—I am not clear that it is—to give an advantage to the high speed ships you can do so by variation; you can give a rebate for speed if that is the objection.

361. I think you said that the Admiralty would be unfettered by popular clamour if there were any system of indemnity; I suppose that would not have the tendency to make the Admiralty cease to pay attention to the question of the protection of commerce, and you do not mean that?—No, I do not mean that.

362. But it would leave its hands free?—I mean that the Admiralty are of opinion that the true interests of commerce are best served by the destruction of the enemy. If they are persuaded to act on the principle of the passive-defensive instead of the active-offensive in response to what are apparent immediate necessities, commerce will suffer in the end, and the warlike operations will suffer at the same time.

363. You told us, I think, that the Admiralty was prepared to give advice to shipping on the outbreak of war through Lloyds; do you propose to send everything through Lloyds, or do you propose to distribute advice to naval stations throughout the world?—The two can go on concurrently. We shall use our Naval Intelligence Officers abroad as well as Lloyds, but Lloyds is the main channel in the British Isles.

364. Among the objections to any form of insurance is the immense amount of business it would throw on the Government, by which I presume you mean the Admiralty?—Not only the Admiralty, but the Treasury and the Board of Trade.

365. If the Admiralty had nothing whatever to do with it, except to lay down routes and to issue warnings about particular routes, would your objection be miti-

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gated?—Somebody has got to do it, and I do not think it is well to overload any Government Department in such a time with an absolutely untried scheme.

366. From the Admiralty point of view, if that were the case, the objection would be mitigated, would it not? You are the custodian of the Admiralty, and not of the general public?—I imagine the Admiralty would not have anything to do with the machinery of either scheme beyond issuing their orders to Lloyds.

367. Therefore the Admiralty objection would be mitigated if the Admiralty had no additional work thrown on it at all, in fact?—The additional work is not an Admiralty objection; it is a general objection.

368. Then, you say the lowest premium of any kind would be a subsidy to neutrals. What we have to think of here is a comparison between the present state of things and the proposed state of things, and clearly the lowest premium that would be proposed would be very much less than the premium that would, under the present state of things, be asked if war broke out. Therefore, from the point of view of the subsidy given to the neutral, the lower the premium here the less that objection of yours would hold?—Yes. It is a matter of degree. A guarantee gets rid of the whole objection of neutral advantage, while the insurance gets rid of only a part of it.

369. The neutral would be benefited so much the less as the premium paid here was decreased?—If you leave it to the underwriters, I agree.

370. You said, I think, that any form of fixed premium would be contrary to first principles, but you propose instead to have fixed duties?—Yes.

371. Is there any principle more in the one than in the other? Does it not come very much to the same thing?—No.

372. Would you say they are quite different?—Insurance is not the business of the Government, but taxation is.

373. The point being, of course, that the Government should obtain in a certain way a certain sum?—Yes.

374. Is it not very much the same thing?—No. The Government has the machinery for collecting taxation, but it has not the machinery for collecting insurance premia.

375. You say also, which is quite true, that you cannot fix premia to fit the actual requirement; would you admit that it is equally difficult to fix the proposed tonnage dues to meet those requirements?—Not if you recognise the larger issue that unless you are to provide the expenses of a war by loan entirely you must tax. You may as well let it be taxes on shipping as on anything else, to my mind.

376. In any case, you cannot hope exactly to meet the actual requirements?—No, and I should not attempt it.

377. Most systems in that respect are exactly the same?—No; I do not admit that.

378. You have laid stress upon the difficulties the Admiralty found in dealing with insurance; when you were making these plans did you consult insurance experts?—Yes.

379. Did you take legal advice on all these points beforehand?—Yes.

380. Do you see that there is an organic difference between the cases you have brought before our notice and the cases we have got to deal with? In your case you, the Admiralty, were suppliants asking something more or less considerable from the shipowners, and in the other case the country, or the Admiralty, is going to offer a very great boon to the shipowner and the shipowning classes. Is there not a very great difference between the two positions?—I do not think I admit the appellation of "suppliants." We made an offer of so much to the shipowner to come in if he wished to do so; we offered to pay him his out-of-pocket expenses. I do not think we could properly be described as "suppliants."

381. I do not care about the term "suppliants"; but you admit, do you not, that there is an organic difference between the two positions, because in the one case you are asking for something which may be inconvenient, and in the other you are giving them a very great boon?—Yes.

382. So there is an organic difference between the two?—There is a difference.

383. (*Mr. Beauchamp.*) You said that in the event of war there would be a tendency, you thought, to transfer vessels to the neutral flag, and that the faster ships would probably be the more marketable and therefore the more likely to be transferred than the slower ones. Would it not be the fact that the faster ships would probably be required by our own Government, and therefore would get higher freights than the slower ships, and would not be so liable to be transferred?—I do not anticipate that very many of the fast ships will be taken up by the Government. There will be a demand for slow ships as well. The demand will be more for the supply of men-of-war than for auxiliaries to be fitted out as armed cruisers. The demand will be greater for vessels carrying stores, coal, etc, than for the fast ship, I think.

384. Your scheme, indeed every scheme when it deals with destruction, only provides for destruction by the King's enemies?—Yes, that is so.

385. But it has been suggested that there might be great danger to our shipping from our own mines and stray torpedoes?—I think I should like to include that in the scheme, and I should be quite ready to modify the scheme accordingly. I apprehend they would probably get it even without a scheme. If they were destroyed by a British torpedo I think they would claim against the Government at once. I am quite willing to take out "by the King's enemies," if necessary.

386. Then you say that if the orders are disregarded there would be no payment?—Yes.

387. Would that include also that there should be no payment on the cargo?—I think it would be better so. I think the Government should disclaim all responsibility if orders are disobeyed. Presumably the owner of the cargo would have grounds for action against the shipowner if his cargo was cast away in defiance of an Admiralty order.

388. I think there is a little mistake in the minds of the Admiralty with regard to what is proposed to be insured against under any scheme. I think under any scheme only material, and not contingent, losses are intended to be included?—Scheme A under "Losses to be covered by indemnity" reads: "Capture, seizure, and detention by the King's enemies, and the consequences thereof or of any attempt thereat, and all consequences of hostilities or warlike operations by or on the part of the King's enemies, whether before or after the declaration of war, as ordinarily covered by an English policy." I should like to rule those consequences out entirely.

389. That is only because it is proposed to cover anything which is included in a policy of marine insurance?—Yes, I understand that.

390. Under a policy of marine insurance only those material losses are recoverable?—Yes, I understand.

391. I think, as a matter of fact, Scheme C merely proposes the same as Schemes A and B?—Looking at Scheme A, I see further down, "It is not intended that losses through delay or diversion of route in consequence of Admiralty instructions issued under Clause III. should be covered by this clause. But it would be necessary to use words which would cover any loss sustained in the improbable contingency of the ship or cargo being prevented by such instructions from reaching the country of destination." I do not see why we should go into that at all, or why we should cover that. That is the fortune of war. Take the words at the end of the note to Clause II., "but it would be necessary to use words which would cover any loss sustained in the improbable contingency of the ship or cargo being prevented by such instructions from reaching the country of destination." I should rule those words out. I do not think the State ought to pay because the man cannot take his goods to market.

392. I think those words were inserted to provide for the ship and her cargo not reaching their destination because the Admiralty said she must not move?—I should let him take it somewhere else; but I should say, you must not move there, because you would be captured. The State is making an offer, and the State has a right to say what it will pay for.

393. I think that is the only way in which anything more than is included in the ordinary policy of insurance would be covered. You said you would not extend this indemnity to what I suppose may be called old tubs, that is, old vessels that have been laid up, for instance?—I should not allow a vessel which had

been laid up to be put to sea under the guarantee. Of course, he could always put to sea on his own risk, but I should never guarantee him if he went to sea previous to inspection.

394. Provided that he had a class, and had fulfilled all the conditions necessary to maintain that class under Lloyd's Register, I suppose you would include such a vessel?—For instance, very often a vessel becomes old, and she is laid up for the time, and does not go through her ordinary survey, but the class is not struck out because it is contemplated that she will at some future time undergo the survey; supposing that she underwent that survey, and maintained her class, then I take it that she would be included?—Then I would allow her to come in.

395. Irrespective of speed or anything?—I have been thinking over the speed. I think it is better to leave it alone. I think it is impracticable to attach conditions as to speed. There are many pros and cons, but I think, on the whole, it is better for the Government not to go into the question of speed. You can do so, of course; it is not absolutely impracticable, but there are so many pros and cons that I think I should not touch it.

396. The owner of any ship registered in the United Kingdom would be covered under any of these schemes; but supposing we were at war, for instance, with the United States of America, there is the fact that we have a large number of vessels on the Pacific coast, both on the west coast of North America and on the west coast of South America, and under the present distribution of the fleets you have nothing to protect the vessels out in those districts?—True, but the fleet is not distributed with a view to war with the United States, as in the opinion of the Admiralty such a war is in the last degree unlikely, and would be the supreme limit of human folly. In the almost unthinkable event of such a war becoming imminent at any time the distribution would be altered.

397. Would you propose to cover those vessels, or to say, "You must not leave," and therefore if they left they would not comply with the Admiralty conditions?—The conditions would have to be subject to the actual state of affairs.

398. I am looking rather to the vessels chiefly engaged in the nitrate trade on the west coast of South America. Do you think, under the circumstances of war with the United States of America, you would be able to protect those vessels, or would they be obliged to remain in port?—We should have intelligence where the enemy's vessels were, and we would, through you at Lloyd's, tell you when they might sail, and give general directions for the course they were to take. The case would be judged on its merits at the time, and it would depend on the situation of the enemy's forces.

399. (*Mr. Lindley.*) Referring to your answer to one of the questions that were put to you with regard to the notice to be given, I want to understand quite what you mean. Is the notice to be given by the Admiralty to come through Lloyd's to the shipowner, or is the shipowner to give the Admiralty notice of intention to sail so as to come within the guarantee?—I do not wish the shipowner to give any notice at all. I wish him to pursue his ordinary trade, and to obey any orders he receives through Lloyd's.

400. So that there is to be no machinery except the orders given by Lloyd's?—I wish there to be no machinery between the individual and the State at all, until the individual chooses to make a claim. When the enemy has interfered with him he makes a claim, and that is the first business between the individual and the State that takes place.

401. There is a complete difference between Scheme C and Scheme A?—Absolute.

402. Under Scheme A notice is suggested?—Yes.

403. With regard to the question of what you call the minor losses to be covered by the policies, I think that what you had in your mind was the question of demurrage and loss of market?—Yes.

404. As a matter of fact those are not covered by ordinary marine policies of insurance unless there is a special policy taken out, and that is quite unusual?—"The consequence thereof" might be held to cover that against the State. I do not propose that there should be any policies of insurance issued by Government, and it is possible that the Courts would rule that insurance laws did not apply to the scheme, therefore I think the losses to be made good should be limited as stated in scheme C.

405. With regard to the question of this tax, are you aware that during the Americo-Spanish war there was a war tax put on by the Americans?—No, I was not.

406. I believe that to have been the case?—I was not aware of it.

407. I was wondering whether you had any information at the Admiralty about that?—I can make inquiries about it.

408. (*Sir Thomas Glen-Coats.*) In regard to the tonnage dues—I am not quite sure whether you have answered this question or not—do you propose to impose tonnage dues on cargo coming into this country, and also on cargoes of manufactured goods, or even raw materials, going out from the country?—Yes, on the ships entering and clearing, in conjunction preferably with import duties on separate articles, as was done by Pitt. If that is found impracticable, I propose to put tonnage dues on outgoing and incoming ships, and to differentiate in favour of those carrying necessaries—that is to say, corn and raw material.

409. Did I understand you to say that you did not propose to put these tonnage duties on until there is a prospect of war—until, in fact, war commences?—I propose to put them on when war commences.

410. That would necessarily make them very high, would it not, because you would not have any time to accumulate a fund beforehand?—I cannot say anything as to the amount. I do not wish to accumulate a fund.

411. Arising out of that if you had high tonnage duties on manufactured goods going out of this country, would it not be almost impossible for the British manufacturer to compete in foreign countries with the foreign manufacturer, and in that case would it not throw a great many people out of employment in this country?—I maintain less so than the war premiums will do. The war premiums will have that effect.

412. In what way?—Somebody has got to pay the war premium eventually, either the man who consumes the goods or the man who sells the goods. Taxation is purely a substitute for the premia, and therefore it is a mere adjustment of the burden, as it were.

413. Would it not have this effect, that if you could not sell your goods abroad you would not have the money with which to pay for your imports?—Is that not an absolute necessity of war itself, however you pay it? You cannot go to war without paying the cost, and this is one of the ways in which the cost will be paid. The manufacturer will find that he has not got to pay more to send his goods abroad, and if the amount is the same it does not very much matter, at any rate, it does not appear to me that it matters whether it is in the form of taxation or insurance.

414. Would it not make it impossible for the manufacturer to send his goods abroad, especially if the war continued for any time?—I say not more so, and I believe less so, than by war premia.

415. That would mean general taxation?—But not less than the war premia paid by underwriters.

416. I do not quite understand what you mean by war premia?—The premia for war insurance.

417. The other idea is that you should give an indemnity without insurance?—But who is to pay for it?

418. It is to be met through the general taxation of the country?—Do you mean through the income tax?

419. Something of that kind?—That is a matter for experts in finance to say. I am afraid I cannot speak as to that. All I see clearly is that the money has to be raised from somewhere, and to meet the objection that a State guarantee would unduly favour the shipping interests. I propose that the fund should be raised directly from the shipping interest. The money has to be raised from the country somehow or else borrowed, and if you borrow you may destroy your credit, I suppose.

420. (*Mr. Jackson.*) I take it that you do not intend that these tonnage dues should be specially allocated to the payment of any particular claim?—I think there is no necessity for that.

421. Under those circumstances, therefore, your tonnage dues are only a suggestion on the part of the

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Admiralty as a fresh sort of taxation in view of war for the purpose of raising more revenue?—Yes, and also to meet the objection that the shipping trade is receiving advantage at the expense of others.

422. Is that covered by your proposal? Would the tonnage dues not be paid by the goods which are imported in the ships just in the same way as the premium is?—Certainly, but I understand that the difficulty is in persuading the general public that that would be so.

423. But it would in fact be so, would it not?—In effect, I do not think it matters whether you do it by income-tax or in any other way. I believe the principle is sound, however you raise it.

424. You suggest in the case of tonnage dues, as well as in the case of import duties, that food and raw material should be exempted from such taxation?—I say that they should be either exempted or favoured.

425. That is, the vessels bringing them?—That the vessels bringing food and raw material should be favoured.

426. That would impose considerable difficulty in regard to a number of ships, would it not, which, for instance, bring a part cargo of cotton or a part cargo of wool to this country?—Yes.

427. There would be a good deal of difficulty in differentiating them, and I suppose you see the difficulty?—I see that there would be a difficulty, but I cannot see that it should be insurmountable to the Customs officials to produce a workable scheme.

428. You say that non-compliance with the Admiralty orders would mean that nothing would be paid?—Yes.

429. You also said, in reply to Mr. Beauchamp, that you would suggest that the cargo should suffer in that case just as much as the ship?—That is my personal opinion.

430. Of course, you realise that in that event the cargo might, in certain circumstances, have to bear a very considerable premium for insurance to cover those risks which the Admiralty are not prepared to undertake?—Would not the owner of the cargo have a claim against the shipowner?

431. I do not think that would be satisfactory to the owners of the cargo, would it? because the owners might possibly be very many, might they not?—Yes. I do not make a point of that; it is not essential, I think.

432. You say that contingent and consequential losses, including sea risks during deviations, would not be covered by the Government. The words in your note to scheme C are, "contingent and consequential losses (including sea risks during deviations and demurrage which are not covered by the ordinary policies)" should not be paid by the Government?—Yes; that is my view.

433. I do not wish to suppose that the Admiralty would do such a thing, but it is conceivable, is it not, that there being a certain danger in the Channel, the Admiralty might order all ships to go round the North of Scotland in order to get to London?—Yes.

434. Thereby the Admiralty would escape all claims under your scheme, and, of course, they would all be thrown on the marine underwriters, would they not?—Yes.

435. It would be obviously to the advantage of the Admiralty to do that under certain circumstances?—Yes.

436. Now, if there were only a slight risk it might be to the advantage of the Admiralty to divert the route of the ships?—It might.

437. That, of course, is a point to consider?—That is a matter for the underwriter and the shipowner too.

438. (*Captain Ottley.*) I understand that scheme C, as we have worked it out, proposes that the money for this payment of the claims put forward should be raised by taxes rather on the lines of Pitt's taxes?—Yes.

439. Do you suggest that it would be impossible for those taxes to be altered during the course of the war? If, for instance, at the beginning of the war certain taxes upon coal were imposed, during the course of the war would it not be possible to move those taxes or, indeed, to alter them in almost any way?—I see no objection to any alteration that may be found necessary.

440. As regards the alternative proposal for insurance, I understand that the proposal for insurance affects premia to a definite amount at the beginning of the war; do you understand that those premia can be varied during the war—can they, for instance, be raised?—By the scheme which is being put forward they may be reduced but not raised.

441. It is at the beginning of the war the risks to British shipping would be at their largest?—Probably.

442. Therefore, probably at the beginning of the war there would be every desire to have those premia pretty high, and if the scheme is to be self-supporting the premia would have to be high at the beginning of the war?—Apparently so.

443. So that it is scarcely accurate to say that the scheme of insurance and the scheme which you propose of taxes to be raised in the first instance on shipping and cargoes are absolutely on all fours in that particular?—I do not think they are at all on all fours.

444. (*Mr. Llewellyn Smith.*) You would not give any indemnity, I take it, if the ship was not obeying the orders of the Admiralty?—None whatever.

445. But you would have no machinery, would you, for securing that the orders of the Admiralty would be known to the owner of the ship? Of course, you would make the endeavour, but you would not be able to secure it absolutely?—No. The scheme I have in my mind would be that the Board of Claims would assemble, and the shipowner would be required to prove his loss, and the Admiralty would be asked if they wished to prove disobedience. Providing the Admiralty did not prove disobedience to the orders in any way the claim would be paid. That is the idea I had in my mind.

446. If the owner of the ship could show that he had not, in fact, received the order, and was not acquainted with it, would he still get his indemnity?—Yes.

447. With regard to the question of Admiralty control, there is a paragraph in an Admiralty Memorandum on the lessons of the late manœuvres to the effect that the recent manœuvres have shown that, at any rate, at the commencement of war it is inadvisable to control the mercantile marine too closely. I need hardly ask whether you agree with that?—I agree with it. We wish to make use, as far as possible, of the initiative and expert knowledge of the captains of vessels, and for them to use every dodge they can for getting away, because we know that they know a great deal about it, at least some of them do; and some of them perhaps have already had the opportunity. Generally speaking they showed themselves very competent to avoid capture in the late war.

448. It is just at the beginning of a war when the losses will be greatest, I presume?—That is rather a matter of strategy.

449. Is it probable?—It is probable only if the enemy takes up from the beginning a policy of a *guerre de course*. If that comes later, the losses will be later. He might try to fight first, and then give it up and take to the other. The losses will be temporarily heavy.

450. I want to put to you an argument which has been suggested: That if we give this indemnity free of all charge, it will be more easy for the Admiralty to frame more stringent rules than if shipowners were left to insure themselves. I gather that you are not in favour of very stringent control?—I am in favour of any orders that we do issue being enforced, and of a strong method of enforcing them. That was shown to be necessary in Pitt's time, because Pitt's Convoy Act provided very heavy fines indeed for disobedience.

451. The stringency would be in the enforcement?—Yes; not in the minuteness of the rules.

452. There was one thing you said which interested me very much. You consider there are certain reasons why it is undesirable that the private insurance of war risks should go on, because it gives a large body of underwriters an inducement to try and find out and to be acquainted with the movements of the fleet, and that the more people who know those, the greater the danger of leakage?—Yes.

453. Do you attach great importance to that, because it is a very important point?—It is, to my mind.

453*. In some of the earlier schemes that have been drawn up, and in some of the earlier discussions on the question, it has been rather assumed the other way—namely, that it was desirable that the State

should do as little as possible, and leave as much to the private underwriter as possible. It is a new consideration to me that the Admiralty should consider that, on its merits, it is advisable to wipe out the private insurance of war risks on that ground?—To my mind it is advisable to do so. I will not say that that is the Admiralty view, because the matter has not been before the Board for their consideration.

454. The point is whether we want to leave as much to private people as possible, or to take as much away as possible?—I should leave as much as possible to the initiative of the masters of the merchant vessels themselves.

455. I mean, as much of the ordinary business of underwriting as possible—the smaller risks, for example?—There again there is a good deal to be said on both sides, to my mind. It is very desirable that we should have our interests and the underwriters' interests as much as possible identical. But I want to keep the State as clear of insurance difficulties and pitfalls as possible, and, for that reason, to give a definite offer of what the State will do without entering into the question of insurance.

456. You would not only leave the shipowner and the owner of the cargo to insure what you call the minor war risks with Lloyd's, or underwriters, but you would compel him to do so as a condition of getting the indemnity, if I understand scheme C?—That is in scheme C, but I am not very clear about that in my own mind.

457. I am referring to III. (a), "the ship must be insured against minor war risks"?—I should prefer to leave that to this Committee to find out if it was essential or otherwise. The advantage of it is that you would have the underwriters on our side in preventing fraud, but the disadvantage is that it means that you are interfering with the liberty of the subject to a certain extent. The insurance or otherwise of the minor war risks should, as a matter of first principles, be left to the man's own individual judgment, and the State ought not to interfere. But I think there are very many pros and cons about III. (a).

458. If you did not do that, would you not run the risk that the shipmaster, having to choose between incurring the big risk of capture or the minor risk of demurrage, deviation, and so on, would have a positive inducement to risk capture in each case?—Yes, it is possible.

459. Because he is not insured against the other thing?—It does seem that that is possible.

460. It seems to me then that it is absolutely essential to compel him to insure the minor risks?—I would take your opinion in preference to my own.

461. It is only a general opinion. But I must take you to the next step: if that is so, you would still have the underwriters as a body trying to find out the movements of the fleet, so you will not get out of that difficulty?—Apparently you will have that difficulty; you will only reduce it.

462. You suggested that the raising of the money by a fixed premium was inequitable in some ways. I can quite understand the argument that it would all fall on the British ship, whereas your scheme of tonnage dues would fall on the neutral, but I do not think that is what you meant. You meant, did you not, that it is not graduated according to the risks?—I meant that it is not graduated according to the risks. Supposing it is fixed at 2 per cent., some of the risks will be perhaps ½ per cent., and the man is not going to pay 2 per cent. for those.

463. He will go to the private underwriter?—Yes, he will. The scheme is based on the assumption that you obtain the 2 per cent. on the whole of the shipping. Obviously if some of the risks are less, the risks which are less than the 2 per cent. will not be insured by the Government, and there will be that much of the sum which had been estimated to be obtained which will not be obtained. Presumably the risks which will be insured will be the big risks. The 5 per cent. risks the people, of course, will insure at the 2 per cent., and naturally that will be bad business for the Government.

464. The particular suggestion that was made to the Royal Commission by Mr. Wilding was a much higher figure; he mentioned 5 per cent., I think?—I remember that.

465. His deliberate intention was to leave all risks below that to the operations of the ordinary insurance market?—Yes, I remember that scheme.

466. It was done as part of a policy that the State should not take over the great bulk of the risks, but only the big risks?—I was speaking for the moment of the 2 per cent. scheme that has been calculated.

467. With regard to the particular minor risks that you have in your mind, would they be chiefly applicable to neutral vessels—would they be risks of the kind neutral vessels also would run?—No, I think not if the belligerent abided by treaty declarations.

468. In the present state of human nature, and with the experience of recent years, do you say that?—I think the greatest danger we have to consider, that is, the greatest danger I apprehend, is if our enemy and a strong neutral are acting more or less in collusion, all the risks to the neutral go out entirely.

469. In the late Russo-Japanese war there were high premiums paid by neutrals not carrying contraband, I think?—Yes, and I have explained the reasons.

470. You think they would not operate again, because you say there was no agreement as to contraband; but there is no agreement now, and no prospect of an agreement?—Quite so; but all this is cut out in the greatest danger we can be subjected to of collusion between our enemy and a strong neutral, because the enemy may not interfere with neutrals at all as the best means of ruining us.

471. That may be the greatest danger you think?—Yes. In other cases I admit the neutral would run some war risk, as the term "contraband" is in a most deplorably unsettled state.

472. You spoke of the possibility of the enemy trying to bring us to our knees by encouraging the wholesale transfer of ships to neutral flags; but I did not quite follow you in what way we could possibly be brought to our knees by the transfer of our vessels to neutral flags. It might be very bad for the nation of course, but they would still carry supplies backwards and forwards, perhaps even more safely?—Yes, but would it not ruin individuals for one thing?

473. The transfer?—Is it not probable that wholesale transference would?

474. They probably would not transfer the ships for nothing?—It is rather a large disturbance of commercial interests.

475. I see the ultimate weakening of our mercantile position, of course, but I do not quite see the bearing of it on the fortunes of war, unless you mean that the vessels which the Government itself would require for transport would be transferred?—No, I did not mean that. What I had in my mind was the dislocation of commercial interests and business.

476. If it is such an easy process that it can be carried out, would it dislocate? Another flag would be flown, of course, but the vessel would go on?—I admit that it is very much open to argument.

477. You would compensate British ships trading between neutral ports, but not the cargo, I think?—The cargo is by treaty immune, and I think we had better assume that this treaty will be carried out.

478. What interest have we as a nation in guaranteeing the Masters of British ships not trading between the United Kingdom and other countries, who are not concerned with our supplies, either going out or coming in?—I take my stand on broad lines. The State makes the war, and the State should bear the loss due directly to the action of the enemy. I do not think it is good that the State should allow any individual to suffer in the prosecution of his trade.

479. That is a much wider proposition, really?—Yes, I take it widely.

480. You say we might differentiate between different kinds of cargo in charging the dues. Would it not be a much simpler method to differentiate between the benefits that we gave in the way of an indemnity, confining them, say, to necessaries, and say, "We will not indemnify the diamonds"? Presuming you want to favour necessaries as against luxuries, would it not be much simpler to reduce the indemnity for the luxuries, say, give only half or something of that sort, than to try to graduate it?—I read the arguments on that point in the Report of the Royal Com-

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mission, and I came to the conclusion that the general opinion seemed to be that it was impracticable to distinguish. I quite agree with you as to the diamonds; I do not think you ought to allow diamonds to be taken as an ordinary war risk, and I would put a prohibitive tax upon them to discourage their being carried then.

481. You were asked just now what injury would be done to the State by the transfer of British vessels to another flag, which would give the reason for such indemnity; do you, as an Admiralty representative, attach any importance to the maintenance of the mercantile marine under the British flag?—Not from a purely Admiralty point of view, but from the country's point of view, yes. Admitting that transfer takes place, it is evident that it will be a forced sale, and that means that the bargain will be all in favour of the neutral who buys and against the belligerent who sells.

482. Your objection to transfer is not the loss of the British mercantile marine—that is, not the transfer itself, but merely that the transfer would be made under circumstances which would make it necessarily a bad bargain?—Yes; I believe that it would mean a national loss—of course it is a loss directly to the individual, but it becomes part of the national loss.

483. Do I understand you to go so far as to say that it is immaterial whether we have a mercantile marine or not?—Certainly not. I think it would be very material that we should have one.

484. I thought you were saying the other thing, and that is what I wanted to be sure upon?—I say no, certainly not.

485. (*Sir George Clarke.*) I am still not quite clear about the dues question. Your dues could not be adjusted to meet the real risks of war, could they?—I do not believe that any fixed dues can be, because nobody knows what the risks of war are.

486. And also the premiums could not be scientifically adjusted to meet the risks of war?—I believe they cannot be.

487. Therefore from that point of view, and from that point of view alone—do not go now into the question of the Government doing business—the two ideas are absolutely on all-fours, that is for the adjustment of means to ends they are both on all-fours?—Yes.

488. Do you propose to raise those dues in colonial ports?—It would be better if you could do so, but we must do what is practicable. You will have difficulty enough to get the United Kingdom to agree to it, I suppose. It would be better if you could treat it as an Imperial question, but I suppose that is not within practical politics yet.

489. If it proves impossible to impose them in colonial ports, should colonial ships have the advantages of the indemnity?—I should say not. May I add this? According to scheme C, under III. (b), "the shipowner must comply with any directions issued by the Admiralty with regard to route and navigation of the ship." I should prefer that the words after "Admiralty" should go out, because some of our directions might not concern route or navigation.

490. (*Sir George Murray.*) What else could they concern?—We might wish to tell a merchant ship he was being chased, and there was one place where he could run, and he should run there.

491. (*Chairman.*) That would concern both the route and the navigation, would it not?—Yes, it would. Possibly lights might come in under that. In case of his being in dangerous waters we might say, It is better you should get out of the track and anchor and put your lights out; that would be better for your safety. I think there are possibilities.

492. (*Mr. Jackson.*) That would be part of route and navigation, too, would it not?—Yes, it would. Perhaps it might all be brought in under those words.

FOURTH DAY.

Tuesday, 19*th February* 1907.

PRESENT:

Sir GEORGE H. MURRAY, K.C.B. (*in the Chair*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. FREDERICK HUTH JACKSON.

Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. F. LEVERTON HARRIS, called and examined.

Mr F. L. Harris. 19 Feb. 1907.

Mr. Leverton Harris, in a preliminary memorandum,* had submitted:—

(1) That the cost of war insurance in a great maritime war would add so greatly to the cost of raw material that trade would be seriously affected, and a large number of persons would lose their employment, to the grave peril of the country.

(2) That *bonâ-fide* transfers are easily effected, and that the carrying trade would be drawn away from British vessels to vessels owned by foreign competitors.

(3) That gratuitous indemnity is to be preferred to any scheme of State insurance.

(4) That national indemnity would not constitute a bounty to shipowners or merchants, but would directly benefit the consumer.

(5) That it is impossible to frame any reliable estimate of the cost to the State of any scheme of either partial insurance or gratuitous indemnity.

(6) That commerce destruction is to be anticipated as part of the policy of an enemy, and that the mere presence of commerce destroyers, or the belief that such destroyers were on any of the trade routes, would entail very heavy premiums for war risks.

493. (*Sir George Murray.*) I think you have seen the terms of our reference?—Yes, I have.

494. And you have had practical experience as a shipowner and also experience of marine insurance?—Yes. I was for about 16 years in, I suppose, one of the oldest shipowning and insurance firms in the City of London, and during most of that time I had control of the insurance department. We dealt principally with the insurance of hulls of steamers; that was the speciality in which my firm was engaged. I had a good deal of experience at Lloyd's as a broker, and at the present time I am an underwriting member of Lloyd's.

495. I think you gave evidence before the Food Supply Commission?—I did.

496. I think you may take it that we have read the evidence you gave on that occasion?—Quite so.

497. But I will just ask you one or two general questions. First, whether you are in favour of the

* *Vide* note, p. iii.

State undertaking to make good to shipowners and traders the losses incurred by capture in time of war?—Yes, I am in favour of it.

498. On the ground of the great national danger of our oversea trade being suspended and in order to keep our shipping afloat?—Yes. What appeals to me most is the risk in time of war of interference with the import of raw materials into this country, and the export of the finished article, and the great social danger which would arise in this country in the event of our supply of raw materials either being cut off or raised to such a price that we as an industrial nation would be unable to compete with rival manufacturers in other countries. To illustrate my fears, I gave some figures in a letter of mine which the "Times" published in September, 1905.

499. Yes, I think I remember that?—I think the figures are also in that paper.

500. You took the case of a steamer of 5,000 tons, valued at £30,000?—That is the case.

501. And the conclusion you drew from that was that the shipowner's cost would be increased to about £7,300?—Perhaps I might be permitted to interrupt you? That was the case I gave in connection with the "Wakefield" steamer, with a cargo of grain from America. I think the case to which I referred, of the effect of insurance rates upon the price of raw materials, was given in a letter of mine to "The Times," in September, 1905. It is on page 3 of the statement of evidence that I sent in.

502. Could you just recapitulate that statement?—Certainly. I take an imaginary steamer of 5,000 tons dead weight, and of a value of £30,000. I presume that that vessel is trading from this country to Spain, going out in ballast and coming home with a cargo of iron ore. I take an imaginary rate, which I should like to state is absolutely imaginary, a rate of 5 guineas per cent., as the extra cost of war risk insurance in consequence of hostilities.

503. When you say it is imaginary, I suppose you mean it is not very far from what you think the rate would be or might be?—I do not think I have any settled convictions in my head as to what rates are likely to be. When I first began to consider the subject, I thought that one might be able to assume certain rates of insurance as possible rates in time of war. Now I have come to the conclusion that it is absolutely fruitless to attempt to fix any sort of standard rate, or any imaginary rate at all. I am taking a rate which was given before the Food Supply Commission by Mr. Jones, the underwriter of the Commercial Union Insurance Company, as to what he thought might be the rate for a Channel voyage on cargo or on hulls of steamers crossing the Channel in the event of our being at war with a European Power. Of course, it is very vague, but that was the rate he thought might be charged, a rate of 5 guineas per cent. I am taking his rate simply for the purpose of giving an illustration. I do not say I agree with it; I do not disagree with it but I do not think anybody can say at all what rates are likely to be in a war. I think it is absolutely impossible. But I simply assume that rate for the purpose of illustration. I assume that there is a 5,000 tons "dead weight" steamer, valued at £30,000, a vessel that carries 5,000 tons of ore. I assume there is an insurance rate of 5 guineas per cent., that the vessel goes out in ballast to Spain, and comes home with a cargo of iron ore to this country. The extra insurance on the steamer would amount to £3,150. That is 5 guineas per cent. for the voyage out, and 5 guineas per cent. for the voyage home, on a value of £30,000. I take the 5,000 tons of iron ore at a value of £4,000, and I charge that with 5 guineas per cent. as the insurance of that iron ore. That is an additional £210. These two additional charges I maintain would fall upon the purchaser of the ore. They would be practically added to the freight. They would be a charge that the purchaser of the ore eventually would have to pay. That raises the value of the ore from £4,000 to £7,300, at any rate. I believe we obtain 30 per cent. of the ore used in this country from Spain, and if iron ore coming from Spain is raised by something like 70 or 80 per cent., I say that this country would be so seriously handicapped in competing with foreign countries who are manufacturing iron and steel goods, that it would mean that many of our manufactories in this country manufacturing products of iron and steel would have to be closed. It would mean that hundreds and thousands of hands would be thrown out of employment. Applying the same process of argument to other industries, the cotton industry, the flax industry, the jute industry, and so on, I see in the cost of insurance in time of war a great internal national danger to this country. That is one of the reasons why I support national indemnity. It applies equally to national insurance, of course, but that is one of the reasons why I support a scheme of national indemnity or national insurance. I will come to the more detailed reasons why I support one against the other in a moment. The second reason is because, in the event of war, and the owners of British ships having to pay high rates of war insurance, and the shippers by those ships having also to pay high rates on their cargoes for war insurance, I foresee that our trade might be driven into the hands of neutrals, and probably would be driven into the hands of neutral shipping, and, judging partly from experience in the past, and partly from what one anticipates would be likely to happen in the future, I think that would be a very grave danger to the mercantile marine of this country, and the supremacy which it holds amongst other countries. Those are the two reasons that appeal to me. First of all, the internal danger of an enormous mass of the population being thrown out of employment, which is a much greater danger, in my opinion, than any question that would arise from the increased cost of food and, secondly, the danger of our mercantile naval supremacy being taken away from us and given to other countries.

504. You do not attach much importance, then, to the difficulty of keeping up our food supply?—I think that a working man in this country, if he were getting wages, could well afford to pay twice the price he has to pay for his food at the present time. Of course, it would make some difference, but my opinion is that the question of employment is an infinitely greater question than the question of food. A man out of employment cannot buy food, however cheap it is, and of course if it is raised in price it will affect him all the more. A man who is in employment can afford to pay a rise in the price of food—such a rise as was anticipated in the Report of the Food Supply Commissioners. I do not think it would be really a serious burden to him if he had to pay a shilling for a loaf of bread instead of 5d. He could afford to do it; he could keep body and soul together. But if you had several million working men and women in this country employed in the iron trade, employed in the cotton trade, and so on, thrown out of employment, then you would have a much graver national danger than the danger that would occur in consequence of an increase in the price of food.

505. Then, in addition to that there would be the danger to our shipping industry as an industry itself?—Quite so. At the time of the American Civil War there were, on the 27th December, 1862, just upon half a million people out of work in Lancashire alone. That is given as showing the effect of war upon the import of raw material. Of course, it was a war, as it were, from the other end. It was a war that we were not engaged in, but it had the effect of interfering with our supplies of raw material. Half a million hands were out of work in Lancashire; and in November, 1863, the price of New Orleans middling cotton rose to 29½d. per lb., as against 5d. to 6d. before the war.

506. Then, as regards the case of the shipping industry, you anticipate that there would be a very large amount of transfer of British shipping to neutral ownership?—Yes, I think there would be.

507. And you think that is a matter that is easily done?—Perhaps I may be permitted just to give a case that came to my experience only the week before last. A certain firm in the City of London wished to employ a steamer in a particular trade. They were, however, prevented by what was considered a rather obsolete regulation. It was with regard to the carriage of coolies from a certain country to another country, and by an old regulation made a considerable number of years ago the particular business was prohibited. The point came up, how was this to be got over? What ultimately was done was this. A clerk was sent over to Belgium; he registered a limited company there, and put up a brass plate on the door of an office. The limited company bought all the shares in this steamer; automatically she was removed

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from the British register, and she became a Belgian ship. The whole thing was done, I think, in four days, without the slightest trouble at all. I do not think there is any difficulty for transfer, certainly not for *bonâ fide* transfer. I do not know whether one would call that a *bonâ fide* transfer or not, but there is very little difficulty for any *bonâ fide* transfer.

508. Do you imagine that a belligerent would readily recognise a transfer of that kind?—I do not know whether he would, but it would be very difficult in time of war for a belligerent, I imagine, to interfere with a vessel flying another country's flag. They might say they would not recognise it, but it would be very difficult to give effect to that, I think. Of course, I believe the transfer would have to be a *bonâ fide* transfer—an actual sale from the country to neutral countries.

509. Then it would not be the case that you describe of something like a bogus company being formed?—I do not think so. I think there would be quite a sufficient inducement for the neutral shipowner to purchase British tonnage, and quite a sufficient inducement for the British shipowner to sell his tonnage to neutral owners. I would refer you to my evidence on this point before the Food Supply Commission.

510. That is the "Wakefield" case?—That is the "Wakefield" case.

511. That is the case of a steamer brought from the Tyne to America, and back to Manchester with a cargo of wheat?—Yes, that is the case.

512. The actual cost of running that steamer for that voyage you take at £1,653 in time of peace?—Quite so.

513. In time of war the cost of the war risk insurance would have brought it up to about £3,000 more?—I again, purely for the sake of an illustration, take the war risk premium at 5 per cent. for the Atlantic voyage. It may be too high, it may be too low; I do not think anybody can possibly say, but I take it simply for the purpose of illustration. That means, on the voyage out and home, £3,000 additional for war risk insurance put on to the cost of running that steamer, bringing the cost of running the steamer up from £1,600 to £4,500.

514. Apart from extra insurance on the cargo?—Apart from that.

515. Which in this case you would put at about £1,080?—Yes, 14,400 quarters of wheat, representing a value of about £21,600; the cost of insurance, at 5 per cent., being £1,080.

516. And that would be a sort of premium on neutral shipping?—Yes.

517. It would be an advantage to the neutral shipowner to that amount?—Quite so. The actual out-of-pocket expenses for the carriage of that cargo, if shipped in a British vessel, are on the other hand raised from £1,600 to £6,023. I maintain that a merchant shipping by a neutral steamer would not have to meet an increased cost of carriage very greatly exceeding what the cost would be in normal times. It might be a little more. But the merchant shipping by a British ship would have the actual net cost of the carriage of a cargo of wheat, not taking profit into account, raised, assuming that the war risk premium was 5 per cent., from £1,600 to over £6,000. I draw a conclusion from that that no merchant having to face that great difference would choose a British ship to ship by.

518. In fact, British shipping would have to be laid up in consequence of the increased charge?—Yes, or transferred.

519. The whole of your argument, of course, depends upon there being this high war risk?—Quite so, absolutely.

520. Supposing the circumstances were such as not to send up the war premium at all, of course there would be no necessity for either national indemnity or any other scheme of the kind?—No, not the slightest.

521. You cannot form any opinion of what the probability of a high rate of war insurance is?—Of course, there are all sorts of cases that have occurred in the past which one can take, but I think it is futile really to try to come to any conclusion as to what premiums are going to be in a future war. Take the Japanese and Russian war. We have got cases where, for the same voyage, within a very few weeks, simply owing to the risk having increased, the rate has gone up from a few shillings to 50 or 60 guineas per cent. It depends altogether on the whole distribution of your forces. It also depends on whether the underwriters at Lloyd's are frightened that it is possible that certain vessels will be captured. I think myself that if it were known at Lloyd's that a fast commerce destroyer was in the Atlantic, you would have the rate on Atlantic voyages a great deal above 5 per cent. for the war risk, both on the ship and on the cargo.

522. Of course, the whole thing really depends upon the condition of our own Navy to begin with, and the Power that we happen to be at war with in the second place?—Yes, largely. It also depends, I think, on a sort of sentimental idea, as one may perhaps call it, that Lloyd's forms as regards the chance of capture. It does not depend on the actual capture so much as on the fear of capture—panic.

523. One of the objections to any scheme of this kind that has been urged is that it would be a special form of assistance to one particular kind of industry. Have you anything to say on that point?—Yes. At first sight this question seems to suggest that it is proposed to give special privilege in the nature of a bounty to shipowners and traders only. This is really not the case. The cost of insurance, whether upon the vessel that carries the goods or upon the goods themselves, inevitably must fall upon the consumer of those goods. In estimating the freight which a shipowner has to charge for the carriage of a cargo, he invariably takes into consideration all charges which he has to pay. Insurance is one of these, and whether it be ordinary insurance against marine perils or special insurance against the risk of loss or capture by an enemy, that charge will of necessity be added to the freight which is charged the merchant whose goods are to be carried. In the same way, when the merchant comes to realise his cargo he adds to the cost of the cargo what he has had to pay for the carriage and insurance of it. Increase or decrease the cost of insurance, either on the ship or on the cargo, and you inevitably increase or decrease what the consumer has to pay when he comes to purchase it. I desire therefore to join issue with those who seek to maintain that any indemnity or contribution towards the cost of war losses that the State may make is of the nature of a subsidy to shipowners and merchants alone. The point I wish to make is this, that it falls on the cargo. It is the consumer of the cargo who is going to get the benefit. Just as the consumer of the cargo would have to pay the additional cost of war insurance on the vessel that carries the cargo and on the cargo itself, so the consumer of the cargo is going to get the benefit of any indemnity that the State may grant.

524. Must you not separate the case of the shipowner from the cargo owner, because in one of the events which you contemplated, namely, that the British shipowner would be driven off the sea and the whole business left to the neutral shipowner, there would be no burden on the cargo owner at all, as his rates would not rise?—I do not agree; the neutral shipowner will not be prepared to carry the goods at a small profit. You see he will be in this position: Going back to the case of the "Wakefield," the cost of the carriage on her cargo is raised from something like £1,600 up to £6,000. At a freight of less than £6,000 the goods would not be carried in a British ship, because that ship would be running at a loss. The neutral shipowner will not be satisfied to run at £1,600, as he was in time of peace, but he will say, "My freight shall be £5,800, at which price the British shipowner would be running at a small loss, and therefore I need not fear him, but I will get as much as I can out of the merchant who is shipping the cargo." Therefore the consumer has to pay practically the same; the consumer gets no benefit by neutral shipping carrying the goods, because inevitably the neutral shipowner will get every penny he can in the way of freight, and the height of that freight will only be limited by the point at which the British shipowner can come into the market.

525. Would not the competition between the neutral shipowners keep that down?—I do not think so, because the neutral shipping I think is only half the shipping of the world.

526. Yes, but on the assumption you were making that a vast amount of British shipping would be trans-

ferred to neutral flags there would be a considerable additional supply of neutral shipping?—Certainly, but there would not be more shipping available than there would be at the present time. A certain amount would be laid up; a certain amount would not be transferred. Some vessels might be captured or destroyed. Probably there would be a shortage in available shipping, and probably the neutral shipowner would be able to get a freight very nearly approximating to, but a little bit under, what the British shipowner would be able to sail his vessel for. So that I try to make the case that the consumer does not save, or saves only very little, by shipping in neutral bottoms.

527. Then coming to the form that this indemnity would take, are you in favour of what we call indemnity or insurance?—I am in favour of indemnity, because insurance though making the evil less aggravated, does not remove it. Besides that, I see the very greatest difficulty and the greatest complications with regard to insurance. I would like to refer to a proposal that was made in "The Times" in November, 1905, in the second of two letters which appeared in that paper; I think the first letter appeared in October, and the second was in November, 1905. There a most extraordinary proposal was made. I will not go into the question of the errors in the mathematical part of that proposal, the figures of which are worked out in rather a loose fashion, but I will take simply what the proposal itself is. The value of British ships engaged in foreign trade is taken at £89,000,000. The value of cargoes afloat at one time is taken at £91,000,000. Each vessel is assumed to make four complete voyages in a year, and to carry 1½ full cargoes for each complete voyage. A complete voyage is a voyage out and home. The value of the cargoes per annum then, the letter says, would be £726,000,000. I think it ought to be £546,000,000, and not £726,000,000.

528. Six times £91,000,000, I suppose?—Six times £91,000,000. There is a mistake of £180,000,000 in that figure. I will take the figure that is put in the letter, just to follow the argument. A certain deduction is made from that for the possible captures during the year. The value of the shipping, £89,000,000, and the gross value of the cargo, £726,000,000, less 2½ per cent. in each case for captures during the year, are charged with a 2 per cent. premium. That gives a yearly revenue of £14,157,000 from the cargo, and £1,754,500 from the shipping, together £15,911,500. Of course the fallacy of this scheme is this, that you are charging 2 per cent. per annum on the value of your shipping, but on your cargoes you are charging 2 per cent. per voyage. Let me take a case in point, and apply to it this proposed scheme. Imagine a steamer running across the Channel from this country to the Continent. She makes forty voyages in the year. You are charging 2 per cent. per annum for war risk insurance as the premium that the shipowner has to pay to the State. That is a shilling per cent. per voyage. But the cargo she carries has under this proposal to pay 2 per cent. per voyage. I do not think any scheme of that nature would be possible; the inequality of it would be so manifest, so extreme.

529. That could be easily remedied, of course, by either reducing the rate on the cargo or raising the rate on the ship?—It could, but I am only taking that as one of the schemes that have been put forward. When you come to fix a universal premium, my experience at Lloyds tells me at once you will land yourself in the most fearful difficulties. It must be inequitable; it would be very hard on some. Of course you could say they need not insure. It will be insufficient in other cases, and I do not believe it would be workable. I do not believe it would give satisfaction. I think it would give cause for great complaint. I do not say that it would not be possible to have some scheme of variable premium, but I do not think any scheme of universal premium would be possible.

530. Not even a very low one?—I do not think it is possible.

531. Suppose you put it even as low as a quarter per cent.?—That is like a sort of stamp duty?

532. Yes?—I should not object to that.

533. That would bring in a considerable revenue, according to the figures that you have been quoting?—Yes.

534. Then you think any form of insurance, that is the taking of any premium, would probably upset the scheme?—I think it would all tend to drive British shipping to neutrals. Whatever form it takes, as long as there is a premium charged, that premium would fall as a handicap on British shipping. It would be paid by the consumer, and although it might give something back to the taxpayer of the country, it would all be taken out of the consumer's pocket.

535. Then it comes to this, that if the British shipowner is to be put on an equality with the neutral shipowner he must have his indemnity free of charge?—Quite so.

536. Coming to the practical difficulties of an indemnity, do you see anything in that?—I think the great difficulty will be the difficulty of fixing value. That appears to me to be the greatest difficulty that would have to be faced.

537. Would there be any greater difficulty in doing that than there is now in fixing the value of the ship and cargo for insurance purposes?—I think there would be, because in an indemnity the State is giving something free. Whereas the value at present that is fixed for ordinary purposes of marine insurance is a matter of arrangement between the underwriter and the shipowner. Let me take a case for illustration. Two shipowners own two sister steamers; one has been very unfortunate in her trading, the other has been very fortunate. The one that has been fortunate has had large sums of money put to the writing down of her value, and she is insured for a comparatively small sum. We will say, for the sake of argument, she is insured for £20,000. The other vessel has been unfortunate, and her value has not been written down in the books of her owner, and she is insured for £40,000. They are exactly sister ships. The difficulty that I think would occur, supposing those two vessels are captured, would be this: In one case the State pays one shipowner £20,000, in the other case the State pays the other shipowner £40,000. The man who has got £20,000 says: This is altogether unfair; why should my competitor get £40,000 as a contribution from the State for the loss of his vessel, which is an exactly similar vessel to mine, and I have only got £20,000? In ordinary insurance it is simply a matter of arrangement. The man who insures his vessel for £20,000 is escaping so much premium as compared with the shipowner who is insuring his vessel for £40,000. It suits him to do it. The other shipowner cannot afford to insure for less than £40,000 in case his vessel is lost, since the capital of his company would not be intact.

538. But in the case we are assuming of there being no insurance, each of them would get the real value, so far as could be ascertained, of his ship and cargo?—Yes. The difficulty is to fix what you mean by real value.

539. Would there be much practical difficulty in doing that?—No; I think a valuer can tell you within 10 per cent., as a rule, the value of a vessel and her cargo. I think any firm of shipping experts could turn up a vessel in Lloyd's Register, unless she is engaged in some special trade where she is earning large profits, and say that vessel in the market to-day is worth so much, and probably it would be within 10 per cent. of the correct valuation, but in war time the value might be continually fluctuating.

540. Then how would you deal with the cargo?—The cargo is very easy to value.

541. You think there would be no difficulty?—I think there would be no difficulty in valuing the cargo. Now and then there would be exceptions, but in all the great cargo trades the prices of cargoes are regulated by every-day quotations; grain, sugar, cotton, tobacco—everything is practically regulated as a day-to-day quotation. I do not think there would be any difficulty with the cargo at all. Every day for the purpose of average adjustment the values of cargoes are fixed.

542. Would you value the cargo at the port of shipment, or the port of discharge, or in some other way?—I think that is purely a matter of arrangement. I should not allow the shipper any profit at all on his cargo. I should include his freight, if he has had to pay his freight, but I would not give him any profit on his cargo. If he wants a profit on his cargo that is his own affair, and he must insure it separately.

543. Of course, the great object would be to prevent his having to insure anything, would it not?—It would be, but I think it would be open to a great deal of question if the State gave more than the actual value of the cargo at the port of shipment, plus the charges of bringing it to this country.

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544. Do you contemplate indemnity in the case of cargoes in British ships carried between neutral ports?—I should like to see it, yes. I think that again is a matter of how far the State would be inclined to go. First of all one would naturally like to see the indemnity given to ships and to cargoes carried by vessels engaged in trade between British ports, and if the State would go further, then certainly I should like to see it given to those engaged between neutral ports.

545. If its object was to keep the British shipping trade from going, it would be almost essential to carry it as far as that, would it not?—I do not know whether it would be essential, but it would be very important. But the other object does not come in in the case of cargoes being carried between neutral ports; that is the object of keeping the price of raw material low in this country, which to my mind is as great an object almost as the object of keeping shipping in the hands of shipowners of this country. To my mind it would be far more important really to give the indemnity to vessels engaged between British ports, or engaged between foreign ports and a British port, than to British vessels engaged all over the world. But I should like to see it applied to all.

546. (*Sir George Clarke.*) I think you have said in your evidence and in "The Times" that in the present circumstances high insurance rates would cause practically a panic in commercial circles generally?—Yes; high insurances would, I think.

547. You said British vessels would be practically uninsurable, and freights would rise to a prohibitive point?—They might, yes.

548. But you do not consider that the loss of one ship would justify that serious cost. What you mean is that that view would be taken whether it was a reasonable one or not, and that that was the point we had to consider?—I think the loss of one ship might temporarily raise insurance rates to a very extreme point, provided that the vessel was still at large which had captured that ship.

549. In your evidence before the Royal Commission you said that the market for war insurance was very small, and that those who undertook that kind of business were always inclined to demand high rates. You think we might regard that as a universal law?—Yes; the market is comparatively a small market.

550. And you also said in evidence that there would always be a tendency for the underwriter to get as much premium as he could; that anything which would scare the shipowner would naturally increase the premium he could demand, and that these premiums would probably be found to be out of all proportion to the actual risk incurred. Then you think there would always be that tendency to gross exaggeration of the risks?—I think that an underwriter would try to get as much as he could. I do not say there would always be a tendency to gross exaggeration, because it is very difficult for an underwriter absolutely to estimate the risk. We have the case in the Japanese war, for the underwriters' estimate was proved to be too low at the end of the war.

551. But the tendency would be to over-estimate the risk?—I think it would.

552. You think that if the State could put any check on the danger which exists without itself setting up an insurance office it would be a gain to this country?—Yes, I do.

553. Your plan is a plan of State indemnity?—Yes.

554. But you stated to the Royal Commission that while the State should indemnify loss it should refuse to take the risk in particularly dangerous areas?—Quite so. There would have to be certain regulations, I think.

555. Then you think that in the case of very dangerous areas the ship and cargo owner should contribute to the extra risk involved?—I do not think I said that, but I think a scheme of that nature might be found workable. For instance, freights no doubt will be highest in the most dangerous areas, and I think naturally the State would have to have certain regulations as to certain zones inside which they would not be responsible. It would be absurd, for instance, for the State to indemnify a shipowner who was running the blockade, or trying to run into a port which was practically in a state of blockade. That would be ridiculous. They would have to put restrictions; there would have to be regulations.

556. Your scheme of indemnity embodies the principle of contribution in certain cases, or contemplates such a contribution?—It was not part of my scheme. I say now that I think such a contribution might be a matter of arrangement, but I do not think it was part of my scheme.

557. But you are clear you would not let the State indemnify in the case of all particularly dangerous areas?—Certainly.

558. Therefore, in that case, unless there was some contribution which covered the insurance of the ship in those areas, the ship would have no protection whatever in those areas?—The State would not be responsible.

559. In your letter to "The Times" you said that in present conditions neutrals would be able to ask any freights they liked, and that they might be able to pay dividends as high as 100 per cent. on the capital value of their vessels?—Yes.

560. Are you clear that there would not be considerable competition among neutrals in such a case of the profits ranging so very high?—I think ultimately, when the mischief was done, and they had bought a large amount of tonnage from this country, then there might be compensation, but in the initial stages of the war neutral tonnage would not be sufficient to make any effect in the way of competition.

561. What I do not quite understand is this. If the shipping in this country had to pay the 5 guineas per cent. that Mr. R. T. Jones estimated it at, and even if a neutral was paying no insurance at all, why cannot a British ship, which has to pay the 5 guineas, cut into competition with a neutral who, you say, is going to make dividends of 100 per cent.?—Let me just illustrate that. Take a liner running in the Atlantic trade, running from here to America, and making 20 voyages a year, 10 out and 10 home. Imagine a rate of extra war risk of 5 per cent., which is not an excessive rate. There is 100 per cent. extra at once. Therefore, if the neutral charges the same freights as that British vessel, he is getting a clear 100 per cent. profit on his vessel, provided she is a sister ship of the other one. If he charges a little under that 100 per cent. the British vessel cannot afford to compete, whilst he is making a little less than 100 per cent. profit on the value of his vessel per annum.

562. But if the British shipowner can make his 100 per cent. dividends, as you say the neutral shipowner might, subject only to the 5 guineas per cent. insurance, would not the British shipowner be doing rather better business than he does in time of peace?—No, the British shipowner would make nothing.

563. The difference between the British shipowner and the neutral is only the 5 per cent.?—No, 5 per cent. per voyage, which is 100 per cent. per annum on such a vessel engaged in the Atlantic trade. I am assuming a premium of 5 per cent. on a liner engaged in the Atlantic trade. The British shipowner has to pay 100 per cent. per annum for war risk insurance, that is 5 per cent. each voyage out, and 5 per cent. each voyage home, and that 100 per cent. per annum would be all profit to the neutral running in competition and getting the same freight. Therefore the neutral could get, say, 99 per cent. on the value of his vessel, whilst the British shipowner would be running at a loss.

564. But you do not maintain that British ships could afford to pay nothing towards the cost of purchasing the indemnity; you do not assume it would be impossible for them to pay something?—No, I do not say that at all. I think economically they could pay something, but I think that everything they pay would do more damage either to the country itself or to British shipping than the good that the country would obtain from such a payment.

565. (*Sir George Murray.*) What they pay would, in fact, be the measure of the difference in favour of the neutral shipowner?—Yes, and that does not take into account the extra cost of raw material in this country which would contribute to that payment, and the handicap that would be placed on the British manufacturer as compared with the manufacturer abroad. A very small handicap very often means a tremendous change in the centre of gravity of trade.

566. (*Sir George Clarke.*) If there were a general rate something like 2½ per cent., charged, would not the position of the ship and cargo owner be enormously

superior to what it is at the present moment?—Is that 2½ per cent. per voyage?

567. Yes?—In some cases it would be much worse than it is now. In some cases it would be better.

568. But suppose it was a variable premium depending on the nature of the voyage?—That is a different matter. Of course, if you are going to have a variable premium you must have an underwriting department. I did not know that that was in serious contemplation. If that is so, something might be worked, in which case he might be better off, but it would not cure the evil, to my mind.

569. But anything like a steady maximum which could not be exceeded under any circumstances would tend to prevent the terrible panic you have contemplated?—I think it would tend to prevent a panic, certainly.

570. In the case of the Belgian transfer that you referred to, would the Belgian Government confer the protection of its flag on such a ship in the case of a European war?—That is a difficult question. It is a question I could not answer.

571. But that would be the whole point, would it not, because the transfer must depend upon whether the ship was eventually to be clothed with the protection of the Belgian flag?—As long as it is a legal transfer I doubt whether the protection of the flag would be withheld.

572. Then there is the question of the officers and crews of the transferred ship. Are they to be denationalised, or to be supplied from some other source?—Of course, on board British shipping at the present time you would find, I think, 27 per cent. of their crews not belonging to this country.

573. Yes, but they might not be Belgians?—That is so.

574. Are they to be denationalised by the transfer?—No, they are not denationalised at all. They are still British subjects.

575. Might not that very much interfere with the neutral aspect of the transferred ship?—I was only giving that example to show how easy it was to effect a transfer. I said I hardly considered it a *bonâ-fide* transfer, and that I considered that the transfers in time of war would have to be *bonâ fide* transfers. That is a transfer which is absolutely legal. The case I mentioned is a transfer which, I think, in time of war might be open to question.

576. In time of war it would be subject to any laws of the State to which it was transferred, and which in some cases might prohibit it?—Yes.

577. If a ship was carrying what was laid down as contraband of war, what would be gained by transferring?—In such a case nothing would be gained, because the rate of insurance would be the same.

578. Therefore any article which a belligerent at war with us declared as contraband might just as well be carried in British ships as in neutral ships?—I do not go as far as that. I do not think it has ever been decided whether the ship itself is liable to capture. I mean it has never been decided whether she is not liable to be returned when she is carrying contraband of war. Of course, Japan has not returned her ships, but I have a quotation here from Lord Lansdowne in the Chamber of Shipping, 1904, in which he says "Neutral traders may carry on trade even in contraband with belligerents, subject to the right of capture of the goods." Then further on he said, I think, that it was not at all settled that the ship was liable to capture. I do not profess to be an expert in international law, but I do not think it has ever been settled, although it was held by Japan that the ships were liable to capture, and they have not returned them.

579. But if the cargoes in a particular line of trade were all liable to capture as having been declared contraband, the inducement to transfer those ships to a neutral flag would be very much reduced?—Yes. In fact, it is a very curious thing that in the eighteenth century the insurance rate on a neutral was higher than the insurance rate on the belligerent, for the reason that the belligerent had the protection of convoy and the neutral had not. Of course, then the flag did not cover the goods.

580. (*Captain Ottley.*) You said in answer to Sir George Murray, that it comes to this, that in order that British ships may continue to run in competition with neutrals in war time they must get their indemnity practically free?—Yes.

581. I was going to ask you whether perhaps the same result might not be arrived at if you could make the British ship and the neutral ship run on an absolute equality?—Yes.

582. The same result would be achieved?—So far as the shipping goes. I do not know how far it would affect the raw material question. So far as the shipping goes, provided the neutral and the British ship are on an absolute equality, I think that is all the British shipowner would want.

583. Then the British market is an enormous one, and one of immense value to the whole world?—Yes.

584. If you bring everything to a common denominator, neutral ship and British ship, is it not pretty certain that the competition between that vast body of shipping of various sorts would keep your prices level, or almost level?—No, I do not think so.

585. If you get your British and your neutral shipping absolutely on a par, then it appears to me that nothing comes in except the law of competition between ship and ship for cargo, and therefore the price to the British consumer would be as low as it was possible to have it?—No, I do not agree with you at all. For instance, let me take an illustration. You have got a cotton-spinner in Lancashire who wants some cotton. His principal competitor is a cotton-spinner in some other place, say Barcelona. Spain is not at war; we are. The British steamer carrying the cargo of cotton to that cotton-spinner in Lancashire is liable to capture. If you do not give an indemnity her owner has to pay a very heavy rate for insurance.

586. Let me frankly say I propose to give an indemnity?—An absolute indemnity?

587. Yes, an absolute indemnity?—Then I agree with you. I thought you were going to put some restriction on the neutral. I thought there was some idea in your mind to tax the neutral in some way, so as to level him up and not level the British owner down.

588. My proposal was to tax the neutral to the same extent as the British shipowner, in order to raise the fund?—Then you are taxing the British shipowner to a small amount?

589. Yes?—That tax on the British shipowner and the tax on the cargo falls on the consumer of the cargo. Therefore the cotton spinner in Lancashire is having to pay it. But the cotton spinner in Barcelona, Spain not being at war, is having to pay no tax.

590. Yes, I think that is so. I am bound to say I was thinking entirely of the effect on the raw material that was coming to this country?—Now let me go a little further, if I may. The cotton spinner in Lancashire is paying a tax, the cotton spinner in Barcelona is not paying a tax. Two-thirds of our cotton manufactured goods are exported. Take the neutral market of China or the Phillipines, for instance; a very small difference of price, as you know, a mere fraction of a penny in the yard, makes all the difference as to whether Barcelona would get the order or whether Lancashire would get the order. When the manufacturer in Lancashire is exporting his goods he also has to pay in his freight the cost of insurance on those goods going out, and on the ship that is carrying those goods out, so that by the time his finished goods have got to the market where he is competing with Barcelona, he has had to pay a tax on the vessel carrying the cargo; it may be a small tax, but he has had to pay a tax or a contribution, and he has had also to pay a contribution on the cargo itself. He has got to pay a contribution for the insurance of the finished article going out, and he has got to pay a contribution for the insurance of the vessel that is carrying the finished article. And all these charges would be in addition to the extra cost he has had to pay for his raw material. Then would come the question whether he can sell his goods in China, and if he cannot sell his goods he may as well shut up his factory.

591. But would not the same difficulty arise with the neutral ship? The neutral ship also, according to the hypothetical conditon, would pay a cargo due of some kind?—Quite so. If you can frame a law which would be accepted by foreign nations to tax neutral shipping, it would put British shipping and neutral

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shipping exactly in the same box. That is to say, it would not affect the transfer of British shipping to neutrals. I think you would prevent that. But that is only one half of my argument. That would be all right. It is true you might not get a transfer of British shipping to neutrals if you were able to tax the neutral up to the level to which the British shipowner was going to be taxed, but still it would affect your manufactures, and it would affect the question of employment in this country.

592. To the extent, that is, of the amount of the cargo due, whatever it might be?—No, more than that, because a very small increase might make all the difference. It might be only a farthing a yard; there might be only a very small addition to the cost of your raw material, and that might make the whole difference of your trade disappearing.

593. Yes, I feel that is so, of course?—Take steel rails; take a difference of price of a shilling a ton in these rails, which in raw materials means a mere fraction. The difference in price of a shilling a ton in steel rails may make all the difference, and probably would decide whether the order came to this country or went to one of our competitors abroad; and a comparatively small rise in raw material—25 per cent. in the case of cotton we will say—might make all the difference whether we had the trade or our competitors had the trade. A very small amount of war insurance means a considerable rise in raw material, as in the case I gave of the iron ore, where the insurance rate is only 5 per cent., and yet it doubles the price of your iron ore in this country.

594. As between these various schemes there is first of all the scheme of indemnity without payment?—Yes.

595. I take it we are all agreed that if the country would accept that, that is the best possible means?—Yes.

596. I am sure that is your view?—Yes.

597. There is the alternative scheme of purchased indemnity?—Yes.

598-9. And that, at present, is the only alternative scheme before the Committee. Supposing the House of Commons refused to have anything to do with the idea of a purchased indemnity, free gratis and for nothing, for certain reasons which Sir George Murray has already touched upon, I take it that as between that scheme and the scheme of insurance you would prefer something that would put the same penalties upon the neutral?—Yes, most certainly, if it could be done.

600. (*Sir George Murray.*) That could only be done, of course, in British ports?—It could only be done in British ports.

601. So that as far as shipping between neutral ports is concerned, the neutral shipowner would still have an advantage?—He would still have an advantage, yes.

602. (*Sir James Mackay.*) I take it that in your opinion if all the British shipping was transferred to neutral flags in time of war, we would probably have freights kept very much where they were before war broke out?—Yes.

603. That would probably be the cheapest thing for the manufacturers in this country?—You mean there would be no diminution in tonnage, and the freights would not be largely raised? Of course, the mere fact of war might raise freights to some extent.

604. But, apart from that, for the British manufacturer alone it would probably be the cheapest thing that could be done?—I think it might be.

605. Iron ore, of course, coming in a neutral ship from Bilbao to Cardiff or any of the smelting ports, might be contraband of war, and probably would be?—Everything nowadays seems to be contraband of war. It might be conditionally contraband if it was going to be made into guns.

606. Then it would not be protected in a neutral ship?—Not if it was contraband. But I do not agree with you that all the iron ore brought to this country could be made contraband of war. After all, the amount of iron ore that comes to this country for the purpose of making guns would be very small.

607. There was no transfer from the Japanese flag to a neutral flag in the time of the war between Russia and Japan, was there?—No, I do not think there was.

608. There was a good deal of purchase by Japan of British ships?—Yes.

609. And there was no transfer as far as I know?—No, I do not think there was any transfer at all. I did not hear of any.

610. (*Mr. Beauchamp.*) Do you anticipate there would be much difficulty in raising money for the purchase of British ships in time of war?—Purchase by neutrals, do you mean?

611. Purchase by the neutrals?—No, I do not think so at all. I think German and other foreign shipowners could get as much money as they wanted, if they could see a large profit.

612. There would be a good deal of difficulty, would there not, in obtaining crews for British vessels during the time of war?—Yes, I think there might be. British vessels subject to capture would have to pay much higher wages, no doubt, for crews, because the crews would be subject to capture The crew would use that as a strong argument for an increase of wages.

613. And, in fact, they might refuse to serve on a British ship?—Yes, I think they might.

614. And no insurance or indemnity scheme would get over that difficulty?—No, that is all an extra cost that the British shipowner would have to bear in time of war.

615. There was one point which I should like to ask your opinion about. Of course, the idea is to keep down the price of raw material?—Yes.

616. Then you say that the British ship would be kept out of the carrying trade and the neutral would come in until a certain point was arrived at, governed by the cost of the insurance?—Yes.

617. But would not that also have this effect, that the cost of the carriage, whether to this country or to Spain—we will take Barcelona for instance—would be equal, and therefore the neutral in Spain would have to pay the same for his cotton as the Englishman in Lancashire?—He has not to pay the insurance on the cotton itself in Spain for one thing.

618. No, I am talking about the cost of the freight?—I see what you mean. The point is this: the neutral would ask the Spanish merchant a correspondingly high freight?

619. Yes?—I think he would.

620. The man would not send his ship to Barcelona for a less freight than he could get to Lancashire?—He might for a little less.

621. But very little. It would not really alter the price?—No.

622. Therefore the neutral in Spain would really be paying the same price?—For freight, yes. Of course the British manufacturer would have to pay the insurance on his cargo coming to this country, which the Spaniard would escape if the destination were in Spain. On the other hand, the price of raw material in America in the case of cotton goods would not be raised, so we should still have to meet the competition of the American manufacturer.

623. Quite so. But what I want to get at is that the freight to Lancashire would be the same as the freight to Barcelona?—I should think probably the neutral would ask almost as high a freight. If he could get a freight to Lancashire for £2,000 he would not go to Barcelona for £1,000.

624. (*Sir George Murray.*) In fact, the war risks in one country would raise freights all over the world?—Yes, I think so.

625. (*Mr. Beauchamp.*) Then you mentioned the case of 20 voyages across the Atlantic. Do you not think you would substitute some other number, because 20 voyages across the Atlantic in one year seems a great number?—Yes, we might say 10 or 12. Might I ask how many voyages does the "Campania" make in a year?

626. (*Mr. Jackson.*) About one a month. But you said 10 voyages there and back?—Yes.

627. (*Mr. Beauchamp.*) But you were thinking of a tramp steamer?—In that case I was thinking of a liner, when I said 20 voyages a year, that is 10 voyages out and 10 voyages home.

628. With regard to the questions of insurance or indemnity, we have had some suggestion made to us that to get over the difficulty of what might be con-

sidered to be a large premium, it might be separated up into what I might call compartments: that you might have a premium fixed from the Channel to Gibraltar, another premium from Gibraltar to Suez, and a further premium from Suez to Australia or India, and that it would be within the option of the shipper or shipowner to take up any one or all of those different sections; that he could insure, if he thought it wise, from the Channel to Gibraltar, and then not insure in the Mediterranean, and then take it up again, we will say, at Suez, or something of that kind?—The State insurance, you mean?

629. The State insurance. Do you think as a practical insurance man that would be practicable?—I should think it would be absolutely unworkable. For instance, let me take a precedent: I disapprove of taking precedents as a rule, but let me take one. In the war with France, at the end of the 18th century, the insurance rate to the East, from this country was less than from Ireland to this country. The rate from Great Britain to Holland was 20 per cent. at one time, and the insurance rate to the East, I think, never went beyond 7 per cent. It would depend upon the concentration of the forces at the seat of hostilities, and so on. I do not think you could work any scheme like that, on those grounds alone; it would be impracticable.

630. We have had within the last 24 hours the report of the Naval Manœuvres?—Yes, I saw it in "The Times."

631. And when the insurance world realise that 55 per cent. I think it is of the vessels in the area, or of those that entered into the scheme, were captured, do you not think that will tend to put up the first insurance premium in the event of our going to war?—Certainly it will.

632. The premium in the first instance?—Certainly. The mere report that is published in the paper to-day probably will have its effect upon insurance premiums in the next war.

633. And as those captures occurred between the Channel and Gibraltar, you think the premium, which was put, I think, by several of the witnesses as a rate of about 5 per cent., would be enormously increased?—Enormously. In reading the condensed form of that report in "The Times" this morning, I think it concluded by saying that in all probability if it had gone on for another week the danger would be removed, or largely removed; the vessels would have been destroyed or put out of action. I have always rather taken the opinion—I may be entirely wrong—that if we were at war with a great Power we should find that all the regulations about privateering are not worth anything. Take an imaginary case—that we were at war, say, with Germany. Germany would purchase, we will say in Buenos Ayres, or in Valparaiso, or in any part of the world, any fast steamers they could get. They only want one antiquated gun that will throw a three-inch shell 250 yards. That is all that is needed, and that vessel for the purpose of destroying commerce is just as effective as the best battleship. You put a crew on board, she is put into commission, she flies the ensign of the country that is at war with us, and she goes out on the high seas. The Admiralty, I know, always say she will be there a very short time since she will be captured at once. But put her on any of our great trade routes, say, in the South Atlantic. Supposing you close the Suez Canal, you will have a British merchant vessel each hour or two going round the Cape. The mere fact of a vessel having to pass that route, and not being heard of for some time, would put up the rate of insurance to a very high figure on all vessels supposed to be in the neighbourhood, and would even affect the insurance on vessels about to leave China, Australia or India, or vessels known to be at sea; the rate of war insurance on every one of those vessels would probably go up to a very high price. That shows you what an enormous amount of mischief could be done by perhaps an old-fashioned fast tramp steamer, with one out-of-date gun; and of course I presume the object of any belligerent that we were at war with would be to damage our trade as much as possible and to produce those scares.

634. (*Sir George Murray.*) Her powers of doing mischief would be considerably limited, would they not? What would she do with the ships when she caught them?—Take the crew off, and sink them.

635. Of course Russia did?—Yes.

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636. (*Mr. Beauchamp.*) Supposing the Government or the House of Commons agreed there should be no insurance or indemnity of any kind provided by the country, do you think that the insurance market for war risks is sufficiently large to cover the risk?—No, not in the beginning of a war. There is some very interesting evidence that I remember, though I cannot quote from it, which I think, if I might suggest it to the Committee, it might be worth while to see, because the probability is it is not known. It is the evidence given by Mr. Julius Angerstein on a Committee that sat, I think, in 1821 on marine insurance, just after the wars. At the beginning of the war the market was a very small market; there was not sufficient scope in it to absorb war insurance, but by the end of the war the underwriters at Lloyd's were taking lines running up to £10,000 a name, and the profit that was made was very large. I only mentioned that because it has been said that underwriters during the Japanese war were working at a loss; they lost money on the balance probably. But in the French wars, according to Mr. Angerstein, large fortunes were made. He was one of the biggest brokers and underwriters at Lloyd's at the time, and he produced figures from his own books showing the enormous business his own firm had done, and I think he mentioned there were only one or two failures in consequence of war risks at Lloyd's at that time. The underwriters were very nervous at the commencement of the war, but ultimately the whole of Lloyd's were accepting war risks and getting enormous premiums and making large profits. In a marine war the war risk market is a very nervous market to start with. I think if there were war tomorrow the war risk market would not absorb a 50th part of the business to be done, but presently it would gain confidence.

637. But in the meantime commerce would be almost entirely stopped in this country?—Yes. In the American Civil War war risk was impossible to cover. It began with a premium of 20 guineas per cent., and after a few captures by the "Alabama" it was impossible to place business at any price, and the result was that practically the whole of the American tonnage was transferred to this country. I have the figures. I do not suppose the Commission would care to have them, but I have the figures. Two-thirds of the United States tonnage was transferred to Great Britain, largely because war risk was uninsurable.

638. And yet the captures were comparatively few?—Yes, the captures were comparatively few, but war risk was uninsurable.

638*. (*Sir Thomas Glen-Coats.*) You pointed out the effect on the export trade of this country if we had not an indemnity, in consequence of the increased cost of raw materials coming to this country and the increased cost of goods shipped abroad?—Quite so.

639. Do you think that that would only continue during the war; or would the fact be that, supposing our competitors, we will say Spain or Germany or other countries, had established their goods in place of ours, it would be very difficult for this country to get that back afterwards?—I think when a country has lost a trade it is very difficult to get it back again. All history points to that.

640. (*Mr. Jackson.*) You mentioned that in principle you would be rather in favour of an indemnity free of charge than insurance?—Yes.

641. You were discussing with Captain Ottley the question of a ship going with cotton to Barcelona compared with the ship going to Liverpool?—Yes.

642. And I think the general conclusion you arrived at was, was not it, that on the whole there would be very little difference of freight between the two?—Yes, provided our tonnage had all been transferred to neutrals.

643. The only point I would ask you on that is this: Do not you suppose, both in that connection and also in connection with the other evidence you gave us with regard to war risk premiums, that neutral shipping would also have to pay some percentage for war risk?—I do not think it would have to pay very much.

644. But there would be something, would there not?—It would be nominal. I mean provided the neutral shipping could warrant that they were not carrying contraband of war the risk might be half-a-crown per cent. per voyage, or something like that.

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645. Supposing you even now in times of peace want to include war risk in your insurance, have you not to pay for it?—Yes, 3s. 4d. or 5s. per annum.

646. I think on some routes it is higher, but what I mean is in time of war that would rise appreciably?—Yes.

647. Even with neutral shipping going between neutral ports?—Yes.

648-9. I only want to point out that if you gave an indemnity free of charge to the British shipping you would give a distinct advantage, to the extent of that premium on neutral vessels, to the British shipping, would you not?—If a neutral vessel is not carrying contraband of war, I should think probably in nine cases out of 10 she would not insure against war risks, but if it was understood she was not carrying contraband of war the war risk would not be very large.

650. But it would make that difference?—You would be giving a bounty to that extent.

651. And to that extent I suppose you would be quite prepared to see the British shipping pay?—Yes, I only want equality; that is all.

652. Another statement you made was as to the difficulty of valuing ships?—Yes.

653. You pointed out that if there were two sister ships, one which had been employed in a profitable trade and the other which had been employed in an unprofitable one, and the owners of the ship which had been employed in the profitable trade were enabled to write her down to £20,000 and the other maintained her original cost of £40,000, there would be a considerable difficulty with regard to the indemnity. The ordinary marine insurance on those vessels would still go on?— Yes.

654. And surely the marine insurance underwriters, either Lloyd's or the companies, would be able to settle what value they would take for that ship?—You see marine insurance values are very curious things. It is a matter of arrangement between an underwriter and an owner, and it is an arrangement that is fixed very largely by the rate of premium. For instance, if I go to Mr. Beauchamp and show him an insurance on a vessel, he may say: "I think that value is far too low; make the value higher and I will insure it." It means that there is more premium paid, because there is a larger value insured. The value for which a vessel is insured for marine risks is no indication of the vessel's real value. Very often it is 50 per cent. higher; sometimes it is much lower.

655. The amount it is insured for?—The amount it is insured for. The shipowner, for instance, sometimes looks at it and says: "What would I have to pay to replace this vessel?" At other times he says: "What have I got this vessel written down at in my books? What is the least I can insure it for?" As a rule the shipowner tries to make his value as low as possible; he wants to pay as little premium as possible, and the underwriter tries to make the value as high as possible. Of course, there is a sort of idea amongst some people that it is the shipowner who wants to insure his vessel for a very large sum, and that the underwriter wants to keep the value down. As a matter of fact it is exactly the reverse.

656. Then you do not think experience and practice in marine insurance would be any guide for insurance purposes of indemnity?—No, but I think there would be no difficulty in getting expert opinion, from people whose business it is to sell or value steamers, which would be within 10 per cent. of the value of the steamer. I think there would be no difficulty in getting the value.

657. Then with regard to dangerous areas you indicated that you would exclude the indemnity for vessels going through a certain defined dangerous area?—Yes.

658. Would you exclude the indemnity of the cargo also of such vessels?—I think so, certainly.

659. Of course, the owner of the cargo has no voice in the matter. You make the insurance of the cargo dependent on the action of the owner or captain of the ship?—The Government restriction would have to come in force before the cargo was shipped. Any cargo that was shipped to a destination, or where the vessel which was carrying it had sailed, would have to be allowed to proceed. I do not think you could say: "After to-day no indemnity will be paid on any vessel entering such a port." I think you would have to say: "After this day week, or after to-morrow, the indemnity will not extend to a vessel sailing to such a port." You could not possibly interfere with a vessel at sea. All arrangements would have been made, and that would be absolutely impossible

660. Therefore you would limit it to some future time?—It would have to be a regulation coming into force applied to vessels which had not sailed.

661. (*Mr. Beauchamp.*) May I ask one more question on this valuation point? There would be no difficulty, you say, in getting at the value of the steamer for the purpose of indemnity?—I think you would get what the vessel was worth in the market at any time easily.

662. The only difficulty, it seems to me, is this, that in time of war the values of vessels alter very considerably during the progress of that war?—Quite so.

663. You know, of course, during the Japanese war there were sales made at varying prices and at rising prices?—Yes.

664. Do you think there would be any difficulty in fixing the price of a vessel on a particular day?—No, I do not think there would. If you went to a valuer to-day and said: "Here is a steamer, what do you estimate her value was on the 31st December?" he could probably tell you within £1,000 what the value of that vessel was.

665. Then if a man's vessel were captured, we will say, on the 31st March, he might be entitled to indemnity for a certain sum, but if his vessel were not captured until the 30th April he would get a higher or a lower valuation. Do you think there would be any difficulty in arriving at a fair valuation under those circumstances?—I think your valuation ought to be taken as the valuation at the commencement of the war. I do not think a shipowner ought to have any benefit from a rise in the value of his vessel due to war. Those details are difficult. The question of value to my mind is a difficult question. Of course, value would have to be fixed before the vessel sailed. That is quite clear; before the indemnity comes into force the value must be fixed both on the vessel and the cargo. A man must know what he is going to get. Take a vessel that is heavily mortgaged, say a vessel that is worth £40,000 and she is mortgaged for £30,000. The mortgagees will not let that vessel sail until they know what the Government has got to pay. It will not do to leave that till afterwards.

666. Then the valuation will be fixed between the Government and the shipowner before the vessel sails?—Yes, I think it will have to be before the vessel sails.

667. (*Sir George Murray.*) That will be a very serious practical difficulty, will it not?—I do not think it is any more difficult before the vessel sails than after she sails. There would have to be some sort of office where all that business is negotiated. You would have to have an expert at the office to say the Government is prepared to give you such and such an indemnity.

668. (*Mr. Jackson.*) It would employ a very large staff?—You would have to have a large staff anyhow. After all, there is not such a tremendous lot of vessels sailing every day. You would have to have an office in London, another in Liverpool, another one in Newcastle, perhaps, and so on.

669. (*Sir George Murray.*) And the office would have to quote the value there and then?—I think it would have to fix a value.

670. There and then?—No, I do not say it would have to be fixed there and then, because in these cases it would probably be a matter of a week or two's arrangement. At the first start off it might have to be settled at once. But a man knows probably a month before where his vessel is going to. It might be done in this way—it is only a suggestion: An application form goes in, "My vessel is going to sail at the end of next month; I want an indemnity for her." A reply comes back a week afterwards, "The State will give you an indemnity to such and such an extent."

671. Then that amount of delay you think would not be too great, and would not hinder business?—Not in nine cases out of ten.

672. (*Mr. Beauchamp.*) How would that affect vessels which were at sea at the time of the commencement of war, because the idea was that they should automatically come in for an indemnity supposing there was a scheme for indemnity on non-payment?—Of

course that is a difficulty. I do not want in any way to make it appear that I think this question of value is an easy thing. I think the question of value is difficult. I think it wants very careful thinking out.

673. (*Sir George Murray.*) What objection do you see to leaving it to be settled afterwards by a Board or Court of some kind of valuers?—The difficulty would be the difficulty, for instance, of a vessel where there are heavy mortgages or loans on her.

674. That would not affect her value, would it?—No, but the mortgagee might say, "I am not going to allow that vessel to sail. I am not secure, and I do not know what I am going to get if she is lost." At present he keeps an insurance policy in his safe.

675. He would have to trust to the Board?—He would have to trust to the Board that he is going to get the vessel's value.

676. Do you think he would not be prepared to do that?—He might.

677. If the ordinary owner would, why should not the mortgagee?—The mortgagee is rather different. A mortgagee simply lends money; he is not taking really a trade risk. He is lending money on the value of the vessel. If he thinks that that vessel might be lost or captured in consequence of war, he might say, "Well, I should prefer she does not sail until I know what value is going to be placed on her, to know I am right for my money if she is captured."

678. What he would have to do would be to insure the difference between the indemnity and what more he wanted?—But then he would not know what he was going to get by way of indemnity.

679. (*Mr. Beauchamp.*) There is always a large margin between the value and the amount advanced?—As a rule, but sometimes it is the wrong way. I have known cases where it has been the wrong way. Not often, but it is so sometimes.

680. (*Sir George Murray.*) Have you thought at all what the effect of free indemnity would be on the course of business, to take, for example, cargoes consigned to order in British ports, which I will suppose are not now the property of a British subject, but might be the property of foreigners? Would the tendency of an indemnity be to insure those goods being transferred before they sailed?—I think it would. If it was going to British ports I think it might. There would be a tendency to make them British goods.

681. (*Mr. Jackson.*) Would you not insure all cargo in British bottoms not contraband?—Yes.

682. That would cover your difficulty?—I think you would have to.

683. (*Sir George Murray.*) Whether they were the property of foreigners or not?—I think you could not help it. It would be so easy to transfer cargo to a British name. Probably foreigners would not ship by British vessels if you did not insure them.

684. If you did not indemnify them?—If you did not indemnify them you would have no foreign-owned cargo, for merchants would ship entirely in the names of British subjects.

685. Do you think the Government as a matter of policy ought to indemnify the foreign owner of the cargo in British bottoms?—No, as a matter of policy they should not, but you would find that there would be no foreign owners.

686. That the cargoes would all be sold before shipment or on shipment?—The cargo would all be consigned to British firms or shipped in the names of British firms. It would be a British cargo.

687. (*Mr. Jackson.*) You would do away with all consignments in that case?—Yes.

688. Just take the enormous amount of stuff, wheat or sugar, for instance, which is consigned to a certain point for orders. That might be sold in the meantime to an English, French, or German subject?—Yes. It is becoming much less common than it used to be to send to a port for orders.

689. It is done to an enormous extent, for instance, in sugar, and in wheat, and so on?—Yes.

690. It is very difficult to fix the ownership of that cargo?—What you would find would be that if you put any restriction, if you said that goods in a foreign name on board a British vessel were at a disadvantage as compared with goods in a British name on a British vessel, you would find that all the goods went automatically into a British name. I think for political purposes there would probably have to be restrictions. That is to say, the House of Commons would say, "Why are we going to indemnify foreigners; we will exclude foreigners," but you would find when the actual event occurred there would be no foreigners.

691. (*Sir George Murray.*) Have you anything further to say to complete your evidence?—There is one other point I should like to bring before the Committee, because I think it was brought out in Mr. Bowles' evidence. It was on a question of the effect of war risk insurance on prices during the great French war. He quoted from Tooke's "History of Prices." He argues that the effect of war from the end of the 17th to the end of the 18th century was that prices of corn in this country were lower during the time of war than they were in times of peace. Of course, we in those days grew the whole of our corn supply, and we exported corn largely. I have looked through the history of those wars. I have looked through the Acts of Parliament affecting that period, and you will find that during the wars very often either corn could not be exported or a prohibition was put on the export of corn during the war. The result was that you had a surplus of corn retained in this country, and the price consequently fell. I do not think that can be taken as any argument that war risk insurance does not put up the price of corn or other commodity. What occurred is exactly what one would expect to occur. We could not export corn, or we had to pay an extra insurance on the corn exported, with the result that there was a bigger surplus of corn left in this country, and prices consequently tended to fall.

692. We were, in fact, an exporting country at the time?—We were an exporting country practically during the whole of the eighteenth century. In fact, we were exporting corn up to 1808. In 1792 we exported 277,000 quarters.

693. Is there anything further you would like to add?—No, that is all.

FIFTH DAY.

Tuesday, 26th February 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.

Mr. GEORGE H. DUCKWORTH (*Secretary*).

Sir THEODORE ANGIER, called and examined.

Sir T. Angier.

26 Feb. 1907.

Sir Theodore Angier, in a preliminary memorandum,* had submitted:—

(1) That the State is charged with the duty of maintaining and protecting the Empire, and that the predominence of our Naval and mercantile marine is essential thereto.

(2) That the Mercantile Marine would be the most vulnerable point of attack in a naval war against Great Britain, and that no Navy would be sufficient to render it secure on the chief trade routes.

(3) That in the absence of an effective indemnity against capture, seizure, etc., the effect of a declaration of war would be to force shipowners to lay up their ships, or to transfer them to a neutral flag.

(4) That the effects of such transfers during the American Civil war and the Franco-German war were seen to be disastrous.

(5) That in 1904 it was proved by exhaustive calculations made by a committee of the managers of the Steamship Mutual Indemnity and Protecting Clubs of London, and a joint committee of managers and directors of steamship companies, that it was impossible for an indemnity to be provided by individual effort.

(6) That the basis of State indemnity should be the payment of a nominal premium during peace time, and that the risks to be covered should be those under Lloyd's "Capture and Seizure" clause.

(7) That the value of each steamer or ship might be fixed at the cost price paid to the builder, less 5 per cent. per annum depreciation on the reduced value; or the value of hull and engines declared in the ship's all-risks policy for the year previous to that when hostilities break out; or the value declared by the owner on which he pays his annual war premium during peace time.

(8) That all ships on the British register should be covered compulsorily.

(9) That it is less important to allow an indemnity to cargoes, and that it would be impossible to exact a premium from cargo-owners in time of peace.

694. (*Chairman.*) I think you are a shipowner?—Yes.

695. You have given some attention to this question of an indemnity or guarantee for our shipping in time of war?—Yes, I have served on a Committee which was appointed, consisting of the managers of those great Mutual Indemnity Associations that we have, and members of their Boards, to thresh the whole question out as to how it could be compassed by private mutual guarantee, the same as we do against the other risks.

696. Generally speaking, I believe you are in favour of some scheme of State guarantee?—Distinctly so.

697. On what ground would you put it; on the ground of the importance of the Mercantile Marine or on the ground of the importance of the cargoes carried by the Mercantile Marine?—Entirely on these two grounds, first of all, that in no other way can a real indemnity be obtained; and, secondly, because the Mercantile Marine is of the first and most vital importance to the maintenance of the Empire.

698. I gather that, in your opinion, no purely naval protection would be sufficient to guarantee the Mercantile Marine in time of war?—No, I quite see that that is an impossibility, because it is practically the covering of the whole surface of the oceans and seas, and that could never be done.

699. What then, in your opinion, would be the result of the outbreak of war; a great rise in freights, or the withdrawal of the Mercantile Marine?—A rise in freights would certainly ensue, and the extent of the rise would depend mainly on the position of our ships. With a guarantee, of course, the rise would be immensely less than without a guarantee. As an owner myself I find from old experience that each one has taken this view of it, that he must get rid of his property; it would be absolutely useless, it would run such enormous risk of capture, and to cover that risk of capture such an immense premium would have to be paid that it would be better to get out of it. Naturally one would sell, as we saw was done in the Franco-German war, where the owners adopted a sort of sale or transference, sometimes temporary sale or transference to a neutral flag.

700. In the Franco-German war?—Yes.

701. The Germans transferred shipping to neutral flags, do you mean?—Yes. I had several cases of old clients of my father's. I was just beginning business then, and I can remember my father having orders to effect these transfers and sales. Money passed, cheques were exchanged, so that it meant a sale, but the idea was that they would be re-transferred afterwards.

702. May I ask whether they were retransferred?—No, in most cases they were glad to get rid of them. In some cases law suits ensued.

703. And, of course, our shipping is of greater importance to us than either the American or the German shipping to those nations?—Exactly so. I look upon our shipping as the ground work and basis of the Empire.

704. You have already referred to the conference between mutual indemnity and protecting clubs, which was held a year or two ago, I think?—Yes, in 1904.

705. What were the results of the Committee's investigations?—We first of all went on figures.

706. Perhaps I should ask you in the first place to tell the Committee what was the basis upon which you considered the proposal?—The basis was this. Of course the 1904 Conference was not the first Conference, or rather it was the first Conference but not the first sort of *pourparler* that we had had. It is a question that we have been trying to thresh out for a great many

* *Vide* note, p. iii.

years, but this was the culminating settlement as it were of the question. We got, as we thought, the best men possible, the indemnity and protecting associations, who practically include nearly the whole of the British tonnage one way or the other, and we naturally said these are the men to put together with a few of their Committees to thresh the whole thing out. From the beginning we always approached the question with how much would it cost us privately. We knew it had to be paid for as a value, and it was always on the basis of as low a rate of premium as we could work it out correctly during peace time, mainly to avoid that rush and flurry that war brings with it.

707. Did your scheme contemplate a higher premium in war?—We put it both ways. We tried first to see if we could find out a peace premium, such a premium that when war came there would be a fund to pay losses out of. Then we found that came into a very big figure, and of course we were hampered by a limited capital, because even taking up the whole of what we could compass in our clubs, altogether something like £100,000,000, it came to too heavy a premium. Then we thought the best way would be to have the eace premium as low as possible, supplemented by an increased rate as soon as war broke out. But on all the points, when we came to look into it, we always came to grief on the question of the capital indemnity. On the small premiums that we worked out in peace time consistent with the stamp duty—we had that to face always—it really came to absolutely too little; there was no real indemnity in it. There were several legal questions too, which came in when it was only a private and mutual system, the question of forcing your members say, even to carry on year by year, and the other question of forcing them under a contract to take out the policy at the increased premium when war broke out. We had no power in fact over our members, and it would always involve practically a legal difficulty in the end. You would always find some members who would consider their pockets first to see if they had not a loophole to to get out of paying this extra premium if it suited them.

708. That is to say, if a war broke out among the far Eastern Powers you felt there would be great difficulty in getting traders whose lines went to the West to take out a war policy at all?—Yes; they would always think, "My pockets are not touched; I am not going to pay."

709. But the real difficulty in both cases was to accumulate, as I understand, a sufficient sum to offer a real indemnity?—Quite so. First of all, the capital was always too small; and then the means of collecting the mutual contributions was impracticable.

710. By saying that capital was too small you mean the proportion of British shipping included within your Associations was not large?—In the clubs, yes.

711. Then you mentioned a difficulty in regard to the stamp duties. That arises, I think, from the fact that they are *ad valorem* duties?—Yes, that is it.

712. And that a policy which contemplated an increased premium in time of war is liable to the higher stamp duty even in time of peace?—Quite so. We wanted to get out with a penny stamp and for that penny stamp you can only have a half-crown premium.

713. I think it has been held by the courts that an actual half crown with the possibility of a further call, has to be stamped at the higher rate?—Yes. At any rate, it is open to that construction.

714. Your Committee, of course, worked upon the assumption that the insurance was to be a mutual insurance provided by a fund levied on shipping in one form or another?—In mutual insurance a fund is not levied. When a loss occurs it is distributed *pro rata* on the capital. You do not contemplate accumulating a fund when you are mutual; there is no necessity for it, but as the loss occurs you distribute the loss.

715. (*Sir George Murray.*) You make a call?—Yes.

716. (*Chairman.*) It contemplated that the loss should be borne by shipping?—Yes.

717. But you found it impracticable to work out a scheme of that kind by private endeavour?—Yes.

718. If there is a national scheme, would you propose that in some form or another the loss should fall upon the shipping trade?—To the extent of a premium paid, that is to say, the question is to arrive at the reasonable premium to be levied in order to approximately cover the losses

719. What are the risks that you would want the State to insure against?—Simply Lloyd's free from capture and seizure clause, the only clause in question.

720. And the risks under that clause are clearly understood in the insurance world, are they?—Yes, it is a very comprehensive clause.

721. Assuming that you had such a scheme at work, how would you arrive at the value of a ship which was lost?—There are one or two ways. The rough-and-ready way would be to take the value the owner declares when he takes out his policy. The question of altering that value would be a matter for consideration. In our ordinary policies we do change values. It is always the subject of mutual agreement.

722. I am afraid I do not quite follow what you mean by changing a value in an ordinary policy?—Reducing or increasing.

723. During the currency of the policy?—No, you cannot do it during the currency of the policy.

724. But in taking out a fresh policy on the same ship cases occur in which you increase the value of the ship instead of depreciating it?—They are rather rare. The general tendency is to reduce year by year. But you could take that value, and that is settled; in taking a Government policy it is the same as taking it with the underwriter. He would ask what value you would declare, and of course you would pay on that value.

725. Is there not a great difference between a Government scheme of this kind and an ordinary mercantile insurance? I put it to you that in the ordinary mercantile insurance it does not matter to the underwriter if the ship is over-valued, because after all his premiums are calculated at such a price as covers the risk whatever it is or whatever experience has shown it to be?—That is perfectly right.

726. And if values are generally higher than the value of the ships, so will premiums be, and the underwriter gets home?—Yes; he reckons his calculations to cover it.

727. Do you anticipate that in any State scheme a premium can be taken which would cover the full amount of the risk?—I do not think you can work that out. You would always be faced with this, that it all depends upon the length of peace from the time of commencing your insurance to the time that war breaks out. If, for instance, the peace endures for 25 years, a very small annual premium will put the Government in command of an enormous sum. Suppose war broke out a year after your scheme was commenced, then, of course, the country pays up. It really resolves itself into a risk taken by the State, simply because this particular trade is the trade without which the Empire cannot go on.

728. But then it becomes more important to the State to see that it pays actual losses and not fancy prices?—Quite so. After all, like all underwriting, it is a bet. The Government would back peace, I suppose, and the owner would back war, and then you have to get at the price.

729. Do you contemplate that your scheme would be compulsory upon shipowners?—I think no scheme can answer unless it is accepted all round.

730. As soon as a ship begins its first voyage it must be compulsorily insured with the nation?—Yes. You see the Government charges us so much for actual registration You will remember Government gave us a small sop in light dues for carrying boys, and they took it away by making us pay a heavy registration fee, which we never paid before. We bore it calmly, as ship-owners generally bear everything; but that was one case where we did not grumble, and you are charging this registration fee still. It is rather a heavy one. It would matter really but little if the whole of the trade were under the same rule, paying the small premium at the same time; I do not think they would feel it. They will always grumble at first, no doubt, but I look upon it in this way that if we are frank we must confess that up to now we have never dreamed of getting at anything otherwise than by paying. It was the same with our Federation, we had to pay. With our own indemnity and protecting clubs we pay, and when you look at the amounts we pay for those indemnities, a reasonable amount to cover this risk on the basis of a fairly-extended peace would not be appreciable, I think. I think the owners would easily carry on their business without additional trouble and without much complaint. It would be money paid for value received, and on that basis it is just.

Sir T. Angier.

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731. Let me ask you one further question about the risks. You speak of the risks covered by the ordinary clause. Of course, if you had a State guarantee of the kind we are contemplating it must be dependent upon the master of any given ship following such general instructions as might be given by the Naval or other Authorities. Suppose that involved detention of the ship, would that be covered by the ordinary clause, detention, that is, by the Authorities of our own country, not by the King's enemies?—Quite so. I think it would be only fair on both sides that it should be a clear stipulation that in the event of a shipowner suffering detention and loss by complying with the orders of Government, his assurers, he should be paid, his action being for the general good.

732. It is not the case at present under the policy to which you refer, is it?—No, it is not, excepting detention by the enemies.

733. And it would introduce a very large and a very uncertain risk, would it not?—I do not think it would

734. Is there not much more dispute arising on ordinary insurance policies about damage through detention, or loss of market through detention, than there ever is about loss by marine risks?—No, those cases are comparatively rare. I will give you one instance how it worked in the Russo-Japanese war. For instance, in the case of those ships that we had with our coal on board under our contracts, when they got out to the last neutral port the underwriters saw it was a certain capture. They then approached the shipowners, and they went so far as to offer to pay them a total loss of the ship if they would stop where they were, and they would pay all demurrage and detention. They were either to stop as long as the underwriters liked, or to abandon the whole voyage and come home, at the underwriter's option. The price they offered the shipowner for that was a very handsome rate per day for waiting, or, they said, "If we close now right off, we will give you the value of your ship." Thereby you see they saved the loss of the cargo, and they were that to the good, whereas they knew if they went on, the ship would be a total loss, and the cargo as well.

735. (*Sir James Mackay.*) And I suppose the underwriters would have the ship?—The underwriters would have the ship. I think they offered the owner even the ship at last. Of course, they gained the value of the cargo always, and that was a very big sum. But that was a case of their being in extremes. There was a certain total loss if the ships went on, and so they said, If we save the value of the cargo we are so much to the good.

736. (*Chairman.*) Going to the premium again, your idea is that we should fix a peace premium, and that we should maintain the same premium in war? Perhaps I should put the question differently: you think that a moderate peace premium, if the establishment of the system were fortunately followed by some years of peace, would be sufficient to provide a guarantee fund without raising the levy in time of war?—Yes, if the peace were long enough. But I should think that as it is, to make it a little less uncertain, there should be a provision for power to the Government to charge so much extra in war, a graduated addition of premium according to the period of peace that has passed before war comes. Then if you do that, I think you should also have a clause for surrender value, because you might go on for 25 or 30 years. In 30 years you would be getting a tremendous sum of money in hand, and in 30 years the lives of many of these ships that have paid you are finished. Your risk is over by the end of the life of the ship, and therefore I think it would only be reasonable to say that after a certain number of years there should be a surrender value of the policy. It is so in life assurance; you pay your premium year by year, and after a certain time if you are still alive you have got a surrender value. I do not like to introduce the idea of life assurance into the question, however, because there is really not much comparison, but the idea is that after the Government gets a continuous payment for a long number of years, there should be some surrender value. It seems only just, I think. We might go 50 years with continuous peace.

737. Supposing, instead of comparing it with life insurance you compare it with fire insurance, there is no surrender value there, is there?—No.

738. Is not that risk more comparable to such a one as we are thinking of?—No, I should not think so, because practically your house and your warehouse go on for 100 years or more, and it is the fire they are looking at. Their clauses, too, for indemnity are so different in fire insurance In fire insurance they do not take your policy value at all; they say, "We will make it good."

739. But that is an advantage that you have in insuring your ship over a person who insures a house. It is scarcely a reason for giving him another advantage?—I do not follow the advantage.

740. In the case of a ship you declare a value, and if she is a total loss you get that value without question or dispute?—Yes.

741. Whereas, I may have paid a premium on my house for years on a certain value, and then if the house is burnt down it is open to the insurance company to dispute the value. They have never disputed the premium, but having pocketed the premium for all those years' time, they dispute the value. That is an advantage which the marine insurer has, is it not?—I think it is an advantage. I think really, it would be an advantage to introduce it into the insurance of houses. It saves a lot of dispute. But I do not think you will ever find the same possibility coming in that I am instancing. Your premium is always much larger, and must be much larger, in the case of ships. You come into fire insurance, where you get premiums down to 6d. or 3d. per cent. No extent of years will ever bring you the total value on the one house; it is only on account of the immense area that they spread it over that the Insurance Companies can make it so small, and therefore that question would hardly come in with fire insurance.

742. In the course of your investigations on the Committee, to which you have referred, what calculations did you make as to the risks that you would have to run?—It is more or less a rule of thumb. We took first of all the maximum amount possible for individual subscriptions, by taking simply the sum we had got mutually insured, and then we saw, of course, the widest extent one could go to, and there was the collecting of the money, and there the trouble came in. It is in the collection of the mutual subscriptions. The amount of capital entered, considering the possibility of collection, did not come in sufficient to pay a reasonable estimate of losses.

743. But your estimate of losses was really guesswork?—Quite; it must be. I do not think you could ever get any proper data.

744. Do you remember what you put it at? Could it be expressed as a percentage of the shipping?—The percentage of shipping that we covered, you might put I suppose, at about 30 per cent. of the total.

745. Of the total shipping of the country?—Yes.

746. But in considering what your losses might be, did you put them at 5 per cent. or 10 per cent. of the total shipping you insured?—We looked more at how much we could collect, and that was where the hitc came in.

747. You really considered how much money yo could collect, and you came to the conclusion that it was insufficient to cover the possible losses?—Yes.

748. Or even probable losses?—Yes.

749. In the suggestions that you have made, do you contemplate special rates for different classes of ships, or would you have a common rate for every class o ship?—I would make it a common rate.

750. And the same thing with regard to voyages; you would not discriminate between voyage and voyage, but you would make it a common rate?—I do not think you can face such a discrimination, because you are starting in peace time, and it is a pure toss-up which Power is going to fight us; it is a pure toss-up which trade is going to be threatened immediately; and after that, you have got to come to the fact that it is almost certain a naval war will be a long affair, and it is quite certain then, if it is a long affair, that more or less every route will be threatened; and our ships cover every route. It is not like a small country that has most of its shipping in one trade. British shipping is in every trade and in every sea and every ocean, and it is no use one man saying "I shall not be hit first." No one knows when his interest will be threatened or which will be hit first. We are therefore all on a plane, and we say we will subscribe equally.

751. How do you contemplate claims being settled? What would be the tribunal to decide on a claim?—A very simple one, I should think. I think I have put

down first a member of the Treasury; he would want to have a look in, I suppose. But the main people you want are only the men who are conversant with the business. Take a couple of shipowners, a couple of underwriters and one average adjuster, and it will be quite sufficient. It all depends on the amount of work they will have to do. But they are simple questions.

752. And you think a Board of that kind would have no difficulty in fixing values fairly?—Not at all. Even the shipowner, if he knows his business, will always give you a very fair value.

753. I suppose it would tend to err on the side of generosity to himself, would it it not?—You would never give him such a chance. We have already, I thought, gone on the basis of having a fixed value arrived at in one or two or three ways. The value should always be a fixed value which cannot be disputed; it is in the document or else you would put your clause in. There are three or four ways I have put down. I think the simplest thing is that when a man registers he states his value, and at any rate for that year it is fixed.

754. One other way you suggested, I think, was taking the cost price of the ship and allowing depreciation at a fixed rate?—Yes. Even then it is a fair indemnity. It is an indemnity you want, and I would certainly make one provision, that there should not be a large element of bargaining in it. The idea is an indemnity, not a speculative insurance.

755. Of course, you attach great importance to the prompt settlement of claims?—That is an absolute necessity.

756. In cash?—In cash. At Lloyd's it does not take you 72 hours to settle a £100,000 claim.

757. But Government departments generally do not work so fast?—This would be a special Committee; I do not know how the Treasury would pay.

758. We have spoken hitherto entirely of ships. Would you apply the same principles to cargoes?—I do not know that my evidence is worth much as to that. It is purely a commercial man's opinion, the opinion of one who has studied the question from pretty well all sides; and, reasoning it out, I do not think there is any necessity to touch merchandise. I fail to see it.

759. You hold that if the ships are there and ready to sail, they would have no difficulty in getting cargoes?—I always find that wherever there are buyers for cargoes the cargoes get to them, and it is no point to this country how provisions come in, whether with British ships or with foreign ships; and in war time, if ours were protected of course they would do the most of the trade. But any way we should always get goods. We should have to pay for them, and the only point that I can see in raising the question of a Government indemnity on goods is this, whether the Government contemplates easing its people in the cost of their provisions. If they do that you need not trouble about insurance. When the goods come in after they have paid the underwriter's insurance, the Government might subscribe so much to the price. It seems a simpler way to me. It is a most intricate thing if you start on such an indemnity for goods. You could not possibly apply this peace premium to it. It is no good trying it. You could not estimate it so easily; and another thing is that produce would not stand it.

760. Would not stand the rate in peace time?—No; it would handicap the British in trading. The foreigner would not pay this and the Britisher would.

761. But your view is that on the ship it would be so small a matter that it would not handicap the British shipping?—No, I do not think it would. They are accustomed to pay these premiums. They pay in so many different ways, and this would only just be the one more. They are wanting this indemnity, and therefore they would pay for it. It is only buying what they want.

762. Did you have any experience of risks during the Russo-Japanese war that you could give the Committee?—Yes. We were in the business from beginning to end. There was a contract I had in partnership with a Russian friend to send out 50,000 tons of coal towards the end of the war. The only way we could get the ships was to give them a policy of insurance of a certain value. Roughly, it was the ship's market value of the day, and we had to pay for that policy 30 guineas per cent

763. That would be shipping coal to Vladivostock?—Yes, and right past the Japanese fleet.

764. For double contraband—contraband in itself, and going to a blockaded port?—Yes.

765. And the premium for that was 30 guineas per cent.?—Yes. Then the underwriters started bargaining with the owner practically against us. We wanted at all risks to the ships to go on, on the offchance of one or two getting in, but they came in then and bargained with the owner not to go on. So that they really deprived the Russian Government of the offchance of three or four more getting in by these tactics.

766. Were those the cases you were referring to earlier?—Yes, those are the very cases. That was done to a considerable extent in the early stages even. The underwriters played that game. They covered the whole thing, and then they tried to save themselves half the loss by bargaining with the owner.

767. Do you think the premium was more than proportionate to the risk? Was it at all a panic premium?—Yes, it was a fair illustration of what a war risk would be. It was quite a fair one, I think, especially in the Russian risks. Of course, there were two kinds of risk. One was the insuring of Japanese goods. They went at ridiculously small prices. They began about 5s. per cent., and I have got a list of the whole cost of them, and I do not think they ever went to more than 30s. or two guineas per cent., whereas the Russian risks went to thirty guineas.

768. But on the whole your experience would lead you to say that the underwriters did not do much more than cover themselves?—No, I do not think that they did. Of course it all depends upon the area they covered. If they started at the beginning and went on with the business right to the end, they made a handsome thing out of it, but it was those who came in at the last, for instance, when the Japanese fleet was released and free from Port Arthur, who were the sufferers.

769. The Russian Government did not give any kind of indemnity except on special cargoes to their order, did they?—In one or two cases they took the working of it themselves, and they took up through their agents their own ship, and paid into a bank the value of that ship, with instructions to the bank to pay it to the owner in case of the ship being captured.

770. But they gave no general guarantee for Russian merchants?—No, it was only in special cases. I suppose it was an experiment.

771. (*Sir George Murray.*) Does not your suggestion amount to a compulsory tax on every ship on the British Register in time of peace, in return for indemnity in time of war?—Yes, I would not call it a tax, because it is not a nice word. Shipowners jib at that, but they do not at an insurance premium. We have a tax now for the Federation against strikes, a tax against all those acts of the captain beyond our control, running down a valuable ship for instance, and making us liable for £200,000 or £300,000. We join together and insure those, and pay so much a year for it. Really it is no more than a necessary item of disbursement in managing and working your ship.

772. Then it would be compulsory on every ship on the British Register?—I would make it a condition of registering under the British flag, and there is an end of it.

773. That they pay an annual insurance premium to insure against war risks?—Yes, you want to keep your British Mercantile Marine supremacy, and that is the way to do it.

774. Have you ever thought of the figure?—I would want to make a great many calculations, but only as an instance I put down 5s. per cent. We reckoned 2s. 6d. per cent. in order to get out of the stamp duty. The Government would have no necessity to consider the stamp duty. The Government can give you a policy without any stamp duty. It would not affect the Treasury much letting the stamp go any more than on other Government documents.

775. This, of course, would be entirely new business?—Yes.

776. And would you suggest that each shipowner should take out an actual policy of insurance?—You might even put a clause on your register. There is no necessity for an actual policy. It would be perhaps better to attach the policy to the register; and to prove yourself under the British flag you would have to have this document or this clause on your register.

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777. And it would apply to even the coasting trade—to every ship on the British Register?- Yes. I think your coasting trade would stand just the same chance of being attacked.

778. Do you think that would be a popular measure in the shipping world ;—No, it would not be popular, because they have got to pay something for it. They would like to get it for nothing. But I think they would come to it. On the popularity side, I will give you the case of our Federation. There we were joining up the whole British tonnage, and it meant paying up, and the experience was that a considerable proportion would not come in at the beginning. It took us about 12 months to 18 months before we got them all together, simply because it was something to pay. But ultimately they came in. They saw the sense of it. That, I believe, would be the history on a question like this, if the Government said, We must have you insure if you are British flag. You could easily say that. We do not want any British ship to run uninsured in the case of war, and therefore if you want to be a British ship you must comply with British rules. You say as much as that in various other ways. You say, If you are a British ship you must comply with our Passenger Act, you must comply with our Sidelight Act, with our Grain Loading Act, with a thousand different Acts. All mean money. We all pay for complying with those Acts. This is one more, and not so grievous as the last one the present Government passed.

779. What would a quarter per cent. on the British Register come to?—We reckon 17 or 18 million tons. Quite a rough estimate of £10 a ton would be 180 millions. £10 I think would cover it. Some, of course, are worth £30 a ton, and others are worth to-day, to take a tramp for instance, about £7 or £8 a ton.

780. That would bring in a very handsome sum?—Yes. I would not like the 5s. rate tacked on to my name. I only put it forward as a sum to be worked out at that particular rate, and you will find a certain conclusion follow. I do not say the conclusion would be that the 5s. was the correct rate. I would want to work out a great many rates before I settled what was a fair rate.

781. But any rate must be pure guess work, must not it?—It must, because the period of peace is guess.

782. And the risks of war are guess?—Yes, they are also guess.

783. But you personally would not think 5s. excessive?—I had a fleet of 13 biggish ships, and I took a value of £40,000. That would be a good tramp ship of about 7,500 or 8,000 tons. On £40,000 the premium would be £100 a year at the quarter per cent. I should feel I would rather not see that £100 go, but I should pay it, and then I would know that I would be perfectly safe. I would have no trouble to think about the risks run in case of war. The £100 a year is not a big sum on value like that, but I never suggested that the shipowner should pay the full cost of the indemnity. On the contrary, my contention is that the Government should bear a good share, the mercantile marine being an Imperial question,

784. As regards the value, would that vary from year to year?—A man when he took his registry out would have to form a rough opinion of the chances of war, and if he thought they were very remote he would say, "Well, I shall not put a big value on my ship. I shall content myself with insuring my £40,000 cost ship for £30,000 or £20,000." The tendency would be for the man not to over-value, I think, unless he felt certain of war coming on. For instance, in a war scare a man starting a new ship for a company might say, "This looks very threatening. We will have our whole value covered." But that would work out evenly, because in other years the man would say he would only cover a quarter. I do not see why a man should not have the option of covering as much or as little as he likes. It would not hurt.

785. You would leave the discretion with him?—I would. I do not think it would hurt.

786. But that might not realise the object which you have in view, because he would insure against war risks, I suppose, if war came, if he had under-insured his ship?—That would not affect the Government much.

787. No ; but it would affect the shipping industry, would it not?—Yes ; to a certain extent it would.

788. The object you have in view is to keep the shipping afloat and at work?—Yes.

789. Without undue war risk premiums?—Yes.

790. If, in order to reduce his running expenses in time of peace, he had under-insured his ship, I suppose he would take out a war policy when there was a prospect of war?—Yes, it is quite open to that. Then I put down three ways for valuing : either giving him free option as to the price, or having it fixed that the value for the indemnity shall be the value of the all-risk policy that he was running the year before the war broke out. He would get a fair value then, because they do not under-insure as a rule. Or you might take it on the other basis, to give him an indemnity, that is, the value he paid for his ship less a reduction. The three ways would want considering out. You can do it either way you like. I think it would amount very much to the same thing.

791. But either you must have a fixed value at the beginning of the ship's life or a varying value from year to year, and would there not be a very great difficulty in inducing people to pay a fixed premium on the ship's value all through the ship's life, and a still greater difficulty perhaps, in varying the premium from year to year?—No ; I think the whole thing would accommodate itself as it worked from year to year.

792. Then you think that, apart from the amount, it would be a popular measure in the shipping world?—I think so. I do not say it would go right away like hot cakes, but they would see through it. I think they would agree to it. They have agreed to much worse things. In fact, they have agreed to very bad things, and this is a good thing. You cannot arrive at an absolutely correct premium, but a fair and reasonable contribution, and I do not think it would be a sum to frighten them.

793. (*Sir James Mackay.*) I think you said at the beginning of your evidence that captures during war of British ships would be immense?—Yes, I think so.

794. Have you formed any idea of what the loss in value of British shipping would be during a war?—No ; I think you could do that as well as I could, and I do not think I should be foolish enough to presume to do it. It is a very difficult question.

795. I suppose you would require an Act of Parliament to introduce this tax on shipping to pay for indemnity in time of war, would you not?—I imagine so.

796. Have you reckoned out how much the Government would get from, say a 5s. per cent. tax on British shipping per annum?—They ought to get about £450,000.

797. On £180,000,000 of value?—Yes.

798. £450,000 a year?—Yes.

799. In 25 years' time, assuming we had peace for 25 years, that would put the Government in funds, without reckoning interest, to the extent of something over eleven millions?—That is it.

800. Do you think eleven millions would see them through a big war?—I think it would go a long way. You see, I had some means of judging in this way. I was through the late naval manœuvres, in the 4th Cruiser Squadron, that had the scouting to do, and the watching of the captures. Of course, it was a very inadequate sort of game, but even from that my appreciation of our losses was immensely reduced. I saw in one or two main points the narrow limits of a cruiser, say in depredations. Her limits are very narrow ; she is entirely bound by her bunkers. She could do a certain amount for, say, a week or a fortnight with the biggest, and then it is all over, she has to go to rebunker, she is then going into the jaws of capture nearly always. On the whole, I certainly think that we should be very much surprised at the comparatively small losses we should suffer. They would be sharp and short, I think. There would be a wholesale smash-up for a short time ; then it is to be hoped that our fleet would do its work, and after that the risks would fall off immensely. That is my own opinion.

801. You propose to fix the payment made by shipowners and the value when the ship is registered?—I think that would be a safe way.

802. Sir George Murray put one or two questions to you upon that point. Suppose a ship is valued at £100,000 when she is new, and she applies for registration, in a year's time she is only worth £95,000 or £96,000, and so she goes on depreciating 4 or 5 per cent. every year. I think you would have to alter the value yearly, would you not?—Yes, I am rather inclined to think you

would. I put down three ways of valuing, and I did incline rather to that, the cost price less a depreciation.

803. In 20 years time at 5 per cent. she has run off altogether?—It is off the decreased value, I think I proposed the depreciation.

804. I mean taking it off the original value, as some of us do?—We try to do that for Income-tax, but I would not do it in this case. It would not work. I think from your own experience you would agree that it is too fast to take off 5 per cent. per annum on the original cost.

805. Very few ships are worth much after they are 20 years old now-a-days?—My experience is not quite in conformity with that. I have seen very strange values. I have seen a 20 year old ship sell for more than she cost Of course that is a question of market.

806. I could not quite follow you about that surrender value?—I think it would have to be taken into account before the thing is settled. In case, for instance, of a 50 years' peace, in 50 years time you would have got a monstrous sum accumulated.

807. Yes, the Government then would have something like £35,000,000 or £40,000,000?—Yes. I have not worked it out. Of course it is all a question of figures, but it would be a very enormous sum. We have already experienced very nearly a 50 years' peace.

808. Do you think if they collected that £35,000,000 or £40,000,000 they might reasonably give up the 5s. tax altogether?—Yes, because that would go on at compound interest. But I think every ship would really be entitled to a surrender value after paying for a certain number of years, because her life ceases, and her risk is off.

809. Do you not think it would handicap goods more than shipping to have to disgorge this £450,000 a year? You see somebody has to pay this £450,000; and it is a tax upon shipping to that extent?—Yes, but I look upon ships in this way. Your ship has a life of so many years, and that life bears a certain value in the maintenance of the Empire. Now, goods risks at the outside have a three months' life. There is hardly any portion of the world where goods take more than three months to come to this country, and therefore the life of the goods for this purpose is only a matter of three months. You have only to consider it when war is in progress, because you cannot contend, for instance, that to-day's merchandise business has anything to do with the same period next year. Everything is all wiped out, all risks are wiped off, everything is finished, and the goods are consumed. But with the ships it is a totally different thing.

810. Would it not be a handicap upon the shipping to have to pay this half million a year, which the German shipping, for instance, does not pay?—No, I do not see that, but I would like to demur to the sum of half-a-million, as it should come to possibly less than half this.

811. Somebody has to pay it?—True enough, but it is nothing more to my mind than payment for value received. I cannot see that it would be a tax at all; and I can only say this, that if the German does not do it, I think he is not so wise as the Englishman. He is leaving himself uncovered, whereas we would be covered. The question of the wisdom is a matter for individual judgment. For instance, take a gentlemen like yourself, who does not insure at all. It is entirely your individual position and judgment that guides you to do that. I say I will insure because I am too poor; I have not such a wide area of tonnage as you have. I must insure, and although you come off without paying the insurances I pay, and I dare say you may make an extra profit, I am not rich enough to get that profit. But you pay insurance by spreading losses over your fleet.

812. Then you would make it compulsory on every shipowner to insure against this indemnity?—Yes.

813. Why should you force people to insure if they do not want to?—Because the vast majority of the inhabitants of this Empire say they want to go on as an Empire. That is the only reason. We must keep the Empire up.

814. But I suppose some shipowners want to go on too; they want to continue, and they think they may be able to continue best by working the business in the most economical way for themselves. Would you not give them the option of insuring their own risks, or would you force them to insure?—I would force them to insure. I would make it applicable all round. You cannot do it half and half.

815. Would that not be rather hard? Suppose you take vessels trading on the Coast of Australia. Are you going to make them insure too?—If they want our register.

816. The owners there may say, "We are running no risk whatever"?—How do they know?

817. They might say, by the time the risk comes, our ships will be out of existence.—But they cannot tell. It is only pure supposition as to what risk they are running. They could not say they are running no risk.

818. In the event of our going to war, with what country would you say that our ships on the coast of Australia would be in danger?—Any European Power, or America.

819. What Power?—If we got Germany and France combined, do you mean to say they would not have a shot over there?

820. How would they get there?—How did the Russian Fleet get up to Vladivostock and Port Arthur? They did the steaming anyhow, and they did a lot of threatening.

821. (*Mr. Beauchamp.*) Would you propose to place the same tax or registration fee, one equal tax, on all kinds of ships whether they were fast ships or slow ships.—Yes, every ship entitled to fly the British flag.

822. Then the Cunarder, for instance, would be placed upon the same footing as the ordinary tramp steamer. You assume that it might be a quarter per cent?—Yes, they would pay on the bigger value.

823. They would pay a quarter per cent. Do you think they would consider it reasonable to be asked to pay a quarter per cent. against the problematical risk of capture in time of war, when it would only cost them three quarters per cent. to insure against total loss of their vesssel from sea perils in any one year? It is out of all proportion, it seems to me?—I do not put it fixed at a quarter per cent. in working out the figures it may come out one shilling per cent. A P. and O. or Cunard or White Star ship would have to pay as much war premium as a tramp; her risk is as great, or greater, she is a greater prize to win.

824. Even an eighth per cent.?—I do not see at all why they could possibly grumble or even hesitate; because, first of all they are morally certain that they will have their ships hired by the Government, and they will have such a rate of pay as will allow them to pay any such rate as this.

825. If by the Government, and then the Government would take the risk under all circumstances?—Government does not take the risk of hired transport.

826. If they hire a transport they take the risk of war, surely?—I was not sure on that point.

827. The cost to the Cunard Company of those two new ships alone was £1,000,000 each, I believe?—Somewhere about £4,000,000 altogether.

828. That would be £10,000 a year for those two ships?—Yes, and they can well afford it. They are the last people to consider, I think. They have got their money at 2½ per cent., and they have had every other facility; besides which they have got a certain subsidy.

829. I will take another, the P. and O. for instance. Do you think they would agree to pay a quarter per cent. per annum for war risks, when it would cost them a very small sum if they did insure against sea perils, which they do not. They could easily do it for something like one per cent. against the total loss of the ship. My standpoint is this, first the high valued liners most certainly could not cover *war risk* at much, if any, less premium than lower valued ships, only peace risks come cheaper to them; and second, that we are not discussing the question of figures and private judgment. We are aiming at keeping up the Empire, and I do not see why the P. and O., or the British India, or anybody else, should have a say in the matter. It is for the majority to say we mean to go on; and then we are faced with this fact, that if we do not keep up our mercantile supremacy we shall go under and cease to be an Empire. We cannot afford to face such a position and therefore everyone must come under this attempt to maintain the mercantile marine.

830. But the British shipowner at present kicks against small light dues. Do you not think he would kick still more against a scheme of this kind?—I am afraid that, including myself, I have not a very high opinion of the vast majority of ship managers. But I have this expe-

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rience, and my experience I think is a very common one, that they will swallow a very very great deal which they need not, and they will make a great fuss about a thing that requires no fuss. But I am perfectly clear in my own mind that it would take a very short time to bring all to an agreement under some such proposition as this We have tested it in so many cases. We have levied all sorts of contributions, and the Government is now levying, and we are levying among ourselves, a number of contributions, not by any means more necessary than this particular contribution that I am contemplating. As to "light dues," the shipowners' logical contention is, they ought to be paid from the public purse, being for the public good.

831. I do not know whether I understood you correctly, but I understand you to say that when these ships were in that last neutral port going out to Vladivostock an arrangement was made between the owners and the underwriters by which the underwriters paid a total loss upon the ship in some cases?—No, I did not say it was effected, but it was an offer made.

832. I thought you said that the underwriter paid a total loss upon the ship, and in some cases the shipowner retained the ship as well?—An offer of that kind was made. I did not say it was an actual concluded bargain. An offer was made. We had the offer made.

833. By an underwriter to pay a total loss upon the ship?—Yes.

834. And that the shipowner should retain his ship?—Yes.

835. Do you not think under those circumstances a shipowner would prefer to deal with an underwriter who would deal so liberally with him that he should not only pay upon a total loss but that the shipowner should retain possession of his ship?—But of course in that case the deal did not come off, on account of the legal responsibilities.

836. Just one point with regard to the premium to Vladivostock. You think that the premium was 30 gs. per cent., that that was a reasonable premium, and that the underwriters at the beginning, who were in it for the whole time, made a profit out of it. Is it not the fact that almost every underwriter who went into that business really lost money over it?—I am afraid I am no judge on that point. I think I was told by one friend that he had done very well. He was in right away from the beginning; but I would rather leave you to answer that question yourself, Sir. You know more than I do about it.

837. I think in nearly every case where they went in for it they admitted a loss?—I really should not put my judgment on those transactions against your own. You know that much better than I do. But at any rate it proves this, that those who underwrite (and they are fairly astute) after their own calculations asked 30 gs., and they got it and were satisfied.

838. They afterwards wanted to compromise in order to avoid carrying out their bargain?—Those were special incidents. They are only incidents in a large business.

839. All the vessels which were at risk at the time of the fall of Port Arthur were either captured, or the underwriters compromised?—Yes, and the total number would be covered by a score or so.

840. (*Mr. Gladstone.*) You said, I think, that the risks in the event of war with an important European Power would be such as to cause large transfers of shipping to neutral Powers?—As we stand at present, uncovered.

841. You also think that in the event of war a rise in freights would be certain?—Yes, certainly.

842–4. Do you not think the rise would generally be in proportion to the risk easy, and that therefore that would make the owner hesitate as to transferring. He would lose certain advantages, such as the chance of being chartered by the Government, and so on, for which high rates are being paid. Is it so certain that such a large quantity of shipping would be transferred to neutral Powers?—I think so. They would sell, and get out of it somehow. The proportion of tonnage taken out by the Government, if we were fighting, would be very large, but there is always a certain class of ship that would have little hope of ever getting under Government employ. Men having ships of that class would certainly sell or transfer.

SIXTH DAY.

Tuesday, 5th March 1907.

PRESENT:

The Right Hon. Austen Chamberlain, M.P. (*Chairman*).

Sir Thomas Glen-Coats, Bart., M.P.
Sir James L. Mackay, G.C.M.G., K.C.I.E.
Sir George Sydenham Clarke, G.C.M.G.
Sir George H. Murray, K.C.B.
Mr. H. Llewellyn Smith, C.B.
Captain C. L. Ottley, R.N., M.V.O.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Frederick Huth Jackson.
Mr. Arthur Lindley.
Mr. George H. Duckworth (*Secretary*).

Mr. Alfred Walter Roberts, called and examined.

Mr. A. W. Roberts. 5 Mar. 1907.

Mr. Roberts, in a preliminary memorandum,* had submitted:—

(1) That the main considerations are the maintenance of food and raw materials at a reasonable price, and the continuity of maritime transport and trade under the British flag.

(2) That a panic at Lloyd's on the outbreak of war is unlikely, and that the insurance market, owing to the larger amount of premiums received, would be sufficient to meet the claims that might be made upon it.

(3) That the experience of the Russo-Japanese war tends to show that vessels, except when making for a blockaded port, have a reasonable chance of escaping capture, and that it would be extremely difficult to blockade the approaches to this country.

(4) That it would be impossible for the Government to find men in time of war to undertake the administration of a scheme of National Guarantee.

(5) That the efficiency of the Navy is the best guarantee the State can give, and might be impaired by a sense of false security engendered by a scheme of cash indemnity.

(6) That Scheme A would result in making a handsome present to the shipowner and merchant, and encouraging fraud; that the particulars of

**Vide* note, p. iii.

voyage and time of sailing required would stand in the way of the secrecy necessary in time of war; and that under any scheme Indian and Colonial steamers should be included.

(7) That the value of the ship and cargo should be their value at the time of insurance.

(8) That under any scheme of fixed premium the State would be left with the undesirable risks.

(9) That it is not desirable that shipowners and merchants should always be able to insure by routes presenting very great danger.

(10) That it might be possible to arrange that the Government should in time of war share the risk with the underwriter.

Mr. A. W. Roberts.

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845. (*Chairman.*) You are an underwriter, I think?—I am an underwriter and an insurance broker.

846. And a member of Lloyd's?—And a member of Lloyd's.

847. You have had a good deal of experience of war insurance?—A good deal. I have been at Lloyd's for the last twenty-two years. I have been a partner in my firm for eight years, and I have been an underwriter for about ten years. During that time I should say my firm has probably done more war insurance than any other firm, certainly as much as any other firm at Lloyd's, from the time of the Chinese-Japanese War on.

848. You have given some consideration to the question that is referred to us?—Yes.

849. And I understand you have formed an opinion on the subject generally?—I have formed an opinion that the National Guarantee is unnecessary. In fact, I go beyond that. I say it is not desirable in any way.

850. Unnecessary, because you think that the present private system is sufficient to deal with any emergency?—I consider that there is in London, and in Liverpool and Glasgow, the largest insurance market that has ever existed, and I can see no reason whatever why this large body of insurance experts should not be perfectly able to deal with any state of affairs that may arise in consequence of our being at war.

851. Of course, the national guarantee is suggested for two reasons, first to prevent a transfer of our shipping to a foreign flag?—That was not put in those questions that were submitted to me. I made out that the main considerations were the maintenance of food and raw materials at a reasonable price, and the continuity of maritime trade under the British flag.

852. You have stated the two objects. You do not consider that there is practically any danger that shipping would be transferred to a foreign flag if we were engaged in a great naval war?—I think it possible that there might be a temporary transfer of shipping to a foreign flag, but I do not think that would be a continuous transfer.

853. It is suggested to us that there might be panic rates of insurance?—That is one of the things that the shipowners hold up, I know. I believe the shipowners are very anxious to have this guarantee. There are two main reasons apparently; first, the transfer of British shipping to a neutral flag; and, secondly, the panic rates at Lloyd's, or in the insurance market generally, neither of which do I think a very serious consideration. If this country were defeated in a war, I mean seriously crushed, it is possible that any steamers that were transferred to a neutral flag might remain; but that is one of the things that you cannot help. In any case if we are defeated our maritime commerce will largely go.

854. I do not think we need consider insurance as an alternative to a navy. We are bound to assume that the navy would be maintained in strength?—Yes.

855. The business of war insurance in the case of Great Britain being a belligerent would, of course, be a great deal larger than in the late war?—Yes, and for that very reason, I think, that the present market would be much more able to deal with it.

856. Will you just make your meaning clear?—You had in the recent war between Japan and Russia a good deal of war risk insurance being placed at Lloyd's; but, as a matter of fact, the whole of that business, certainly the whole of the important insurances, were insurances on steamers bound for Vladivostock. I assume that everybody here knows the position of the port of Vladivostock, that if you have got to make that port you have to go either through the Straits of Tsushima, or north via La Perouse, or via Cape Elizabeth and Saghalien. Practically the whole difficulty concentrated on that. There was no difficulty about placing any amount of goods to Japan, there was no difficulty about placing any amount of goods to Russia, or to China, to go up through the country; the only real difficulty consisted in having to insure steamers bound to Vladivostock, which, as I say, had to go through these narrow straits. A great many underwriters would not take that on, because it was extremely speculative. Practically one cruiser could close any of those three routes, and three cruisers could stop the lot. But that state of things could not occur if this country were a belligerent. The difference between a steamer having to make that port and a steamer bound either from Canada or the Argentine, or any other of the grain ports, to this country, is so great that it seems to me to bear no comparison at all. In the one case you had to make one given port through very narrow seas; in the other you have the whole seaboard open to you.

857. I quite see the difference. Now take the Spanish-American War. What was your experience there?—Do you mean from the point of view of the market being demoralised by captures?

858. Yes?—The question of panic; that is what you really want to find out?

859. Yes?—I am of opinion that no panic would arise, but that the market would be able to deal adequately with the situation. The amount of insurances to be covered would be very large, and in consequence of the world wide nature of British commerce the risks would be spread over a wide area. Underwriters would therefore receive a large amount of premium, and out of this losses would be met, and consequently captures would not have a demoralising effect. What would demoralise the market would be a blockade so effective as to make captures a practical certainty, but while a fair percentage of steamers kept getting through, there would, in my opinion, be no reason to anticipate demoralisation. I would point out that the insurance market is not prone to panic. In the Spanish and American war when a Spanish squadron sailed east through the Suez Canal the Americans were of opinion that the Spaniards meant to attack them on the Pacific Coast. The rates on war risks in the States on American steamers in the Pacific went up to 12 guineas per cent.; here these risks could always be covered, and were covered by my firm, at 2 per cent. Moreover, from the size of this market, there would always be enough competition to prevent anything like a successful combination to charge prohibitive rates.

860. When you speak of the size of the market, are you thinking of the size of the insurance market as a whole, or of the size of the special market for war risks? Is there not a great difference?—There has been a great difference hitherto, mainly for the reason that I wanted to point out, that hitherto where there have been war risks the war risks have been concentrated on one particular spot, whereas when you get the British Empire at war the thing is so enormous that it would appeal to every underwriter. Personally, as an underwriter, I never wrote a war risk in the Russo-Japanese war, but if the British Empire was at war I should certainly write war risks, and so, I believe, would a great many other underwriters at Lloyd's.

861. But in the case of our being at war the risks would vary enormously one from another?—Certainly.

862. Possibly without having any risks as great as those of shipping to Vladivostock, there would still be a considerable number of voyages which would involve a serious risk?—Yes.

863. Would the market for those be large?—I should think quite large. When the steamers were going to Vladivostock my firm placed as much as £120,000 on one cargo bound to that one place, and all at one premium. It was not a sort of panic rate.

864. But the premiums went very high, did they not, to something like 25 or 30 guineas?—Yes, that is quite true; but then we were taking a very highly speculative risk.

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865. But such a premium as that might have a most serious effect upon our trade?—Yes; I think you have got to look forward to the fact that there will be a great rise in the price of commodities if this country is at war, and that the extra insurance will not very materially affect the case. I was very closely in touch with the people shipping out to Vladivostock, and I never found the insurance prevented a deal.

866. But were not the cargoes shipped there almost entirely cargoes to the order of the Russian Government?—Not altogether. There was a German firm there that imported a good deal.

867. But were not the cargoes principally war material, or foodstuffs for the garrison?—Of course, naturally. So in this case it would be foodstuffs.

868. But to us raw material for our manufactures is perhaps as essential, or at any rate nearly as essential, as food?—Quite.

869. There was nothing comparable in the case of Russia in the Far Eastern war to the demand there would be here for cargoes of raw materials to keep the industrial life of the country going?—Quite so. You could hardly compare the two things. There was no difficulty whatever in importing goods into Japan, because there was practically nothing to stop them. What boats the Russians had at Vladivostock practically never came out.

870. There was no serious difficulty even in the early stages of the war, before the Japanese had really secured mastery of the sea?—No. On the 13th July, 1904, for example, I insured a large quantity of rice bound from Rangoon to Japan, which would rather take it within the region of any Russian cruisers at Vladivostock. The rate on that was $\frac{3}{4}$ per cent. On the 29th October I had to insure a large amount of canvas sent to Japan, and the rate was $\frac{1}{2}$ per cent. That was shipped under a neutral flag, but the neutral flag made no difference. In fact, all the steamers captured were under neutral flags. That is another reason why I do not think there would be a great deal of transfer.

871. Both those cargoes were for Japan?—Yes; that was before Japan had command of the sea.

872. Generally speaking, therefore, you would say for even the worst risks there was a market?—There was always a market. For example, after Port Arthur had fallen, after the whole Russian fleet was swept away, my firm insured three steamers to Nicolaiefsk, a very difficult port to make. I insured three steamers from Australia to Nicolaiefsk. We had to pay 50 guineas, but it was done; and they all three arrived.

873. As you have said, one can hardly imagine the same risks arising in a war in which we were engaged?—I should like to point out, too, that if that did occur I think the national guarantee would work very badly there. It is not desirable that merchants and shipowners should always be able to insure by routes presenting very great danger. For example, if we were at war with France, and the French succeeded in blockading the Mediterranean, I should not consider it for the good of the country for there to be a market to insure grain from the Black Sea, or anything from the Black Sea. I should prefer this route to be closed by prohibitive rates rather than to allow shippers to recklessly endeavour to force such a blockade, which they could do if the national guarantee existed. The only result would be that the country would benefit by the captures, and our sailors would be disheartened by the enemy's successes. I should, on the contrary, prefer to see such of our sailors (and the supply would be none too large) as are brave enough to run the risks of capture, concentrate their efforts on routes where there would be a reasonable chance of getting through.

874. I suppose it would be possible for the State, even where giving a general indemnity, if it were to do such a thing, to bar certain routes to cover a case of that kind, where there was a practical certainty of throwing the ship away?—One of the difficulties I want to point out is, first of all, if you have your national guarantee without cost, the country would be making a handsome present to the shipowner and merchant. Moreover, there are always unscrupulous owners anxious to get rid of steamers no longer useful to them, and full advantage would be taken of the chance of getting them captured at the expense of the country. I am quite certain that is a very serious thing.

875. Let me just stop you there to ask what prevents that being done at the present time at the cost of the underwriter. It is true there would be this difference between the scheme of State indemnity without charge and the present possibility of insurance, and then throwing your ship away, that in the latter case you pay a premium, and in the former case you pay nothing; but if your object is to get the whole value of the ship by throwing it away, the payment of the premium becomes a small matter?—Quite; but what I would point out is this: I imagine that if you have a national guarantee there is no limit to it; also that you cannot refuse it; provided it is British flag and British enterprise you are bound to take it. It is a very different thing with an underwriter. You have to present a risk to an underwriter. He is an expert. First of all he knows something of the ownership very likely; and, secondly, he can form a very reasonable idea whether the man is putting an unfair valuation on his vessel, and the work he is going to do. If he does not like it he refuses it. I think there is a great difference: one is optional, the other is compulsory. With the national guarantee you would be bound to take it.

876. I quite see the difficulty of the State distinguishing between man and man—that is, taking into account the reputation of the particular individual?—My point is that the underwriter is an expert and the State is not. At a time when the country is at war, when every underwriter of any experience at all will be absolutely unable to leave his business, I do not see how you are going to get the men to run this. It would be a terrible time, a time of the greatest possible anxiety. I do not see how it could be worked. You ask a man who is really in a position to work such an enormous thing as that to leave his underwriting business, and he cannot do it. His whole fortune depends on it. How are you going to arrange your machinery? Are you going to arrange your machinery now, in a time of profound peace, for the possibility of a war in 15 years' time? In 15 years' time the thing is old-fashioned.

877. Of course different suggestions have been made to us. One is that in some form or another you should take a contribution from the shipowner in time of peace. In the case of any scheme of that kind you must have a machinery in peace already established?—Quite so

878. The other alternative contemplated by Scheme A, which you have had put before you, is that there should be no machinery called into existence until war arises?—Then at a time of great national stress, when the country wants every sovereign it has got, you embark on a scheme that is absolutely without limit. Personally, I am not afraid of what would happen in the event of war. I believe our Navy would protect our commerce. That is only my personal idea, and, of course, I may be wrong. Yet this scheme contemplates that at a time like that, when you cannot easily borrow money, you should start a national guarantee where there is no limit of line. I imagine you have to take £150,000, £200,000, or £300,000 on a venture that is put before you, and you start on a thing which may land the country into losses of millions, and you cannot stop it. An underwriter can stop it; he can close his books; if he sees the thing going against him he can refuse to take another line. The national guarantee must go on, and here the Treasury or the Chancellor of the Exchequer are called on at a time like this to make good they do not know what.

879. You evidently feel there is no possibility of arriving at any estimate of the losses?—I do not think there is the least possibility of arriving at any estimate. As I say, I am not afraid of it. I do not think the rates would go up very much. I do not think the rates would in any case be prohibitive. I think the market would be always large enough for all practical purposes. I can imagine the position that if, for example, there was a tremendous stress for food, and a very fast Cunarder tried to run food stuffs from Canada, there would be an enormous amount to insure. In a case like that the insurance market might not be sufficient to cover the total value at risk, otherwise the State would be competing with the underwriting community. They would be competing with experts, and I think with very unfortunate results for the State, probably. But if there could be some system of co-operation, whereby for example you could place in the market, on current rates of premium, say 40 per cent. of a risk, the State taking the balance, then the State would get round the difficulty of not having the expert; they would simply take advantage of the rate fixed by the expert to cover the risk run.

880. What would be urged against that by many supporters of the scheme for a national guarantee is that the rate fixed by the expert would in many cases be a prohibitive rate, and stop the trade?—I do not think so. In time of war everybody is going to make big profits. It will be big profits or big losses. The merchant who imports the stuff is risking a big loss, or taking the chance of a big profit. You cannot hope to get your raw materials at normal prices in time of war, for many reasons; first of all the difficulty of getting through; secondly, the difficulty of finding sailors to do the work.

881. You do not think that one can get any guidance from past history as to the probable loss in a great war now, do you?—No, I think it is absolutely misleading. The Napoleonic wars I think are only interesting from a historical point of view. The market at Lloyds was infinitely smaller.

882. And the individual risks were infinitely smaller?—Yes. One was sail; the other is steam. I think it is entirely altered.

883. Altogether the conclusion you come to is that the only satisfactory way in which the State can help the trade is by maintenance of a strong Navy?—Yes; I consider the only national guarantee to be the efficiency of our Navy. The money spent on any scheme of national guarantee would, in my opinion, not conduce to considerations 1 and 2. On the contrary, there would, I fear, be a tendency to lose sight of the real insurance for the maintenance of our food supply—namely, the strength of the Navy, and to find a false security in a scheme which would be of great expense to the country, and very little assistance to the considerations 1 and 2.

884. In the answers you have given, and perhaps in the questions I have asked, we have been dealing with both schemes practically, either a scheme for indemnity in return for payment, or indemnity without payment?—Indemnity without payment, I think, is ruinous. It would be so fearfully expensive, and I do not see why the country should do it for the benefit, practically, of the shipowners and merchants. I do not think it is going to help very much.

885. The mass of the population are dependent either on cheap food or cheap material, in order to provide them with the employment which again enables them to purchase their food?—Yes. My belief is that the insurance premium on the venture would not be of such a nature as to really seriously interfere with that. I think it would interfere with the country if they had to pay for these losses without any premium.

886. In the *précis* you furnished me with, I see you also take objection to what would be necessary for such schemes, the supply by the shipowner to the Government of some particulars of his intended voyages?—Yes, I feel very strongly about that.

887. Will you explain to the Committee why?—I do not think it desirable that particulars of voyage, time of sailing, etc., should be furnished. The secret of successful blockade running is undoubtedly secrecy; provided the British flag were in a position to convoy steamers making for this country, say from Canada or the Argentine, on their whole voyage, this would be different, but I imagine that such convoying could seldom occur. Otherwise, I should be in favour of owners not reporting. Leakages do occur, and it would be difficult for a captain to make his report without the chance of this happening. In my own experience there was a steamer captured which was making for Vladivostock. The Japanese were informed of the movements of every steamer making for that port. One steamer was caught, and the Japanese captain, who came on board, was extremely annoyed with the master. He said: "Look here, what have you been doing; we expected you ten days ago." That actually happened.

888. You think, therefore, that any Admiralty instructions should be of a general kind?—It would be far better for the captain to take note of the general instructions of the Admiralty, and to know if possible where he may expect to find the British Navy protecting trade routes, and then take his chance without making detailed reports that might very possibly reach the enemy.

889. Suppose after all we decided upon having a scheme of indemnity, do you think it would be possible to arrive at a satisfactory basis for valuing a ship that was lost?—Of course, it would be possible. But the whole custom of marine insurance is to accept the insured value. The custom of marine insurance is to admit the value of the vessel or cargo insured. It is not, as in the case of a fire insurance. In the case of a marine insurance you always do admit the value. To depart from this plan and to substitute the value which State officials might decide to place on the vessel or her cargo, would certainly not commend itself to either owners or shippers. Moreover, such discussions as to value would entail considerable delay, and half the trouble in all these insurances would be that the payment should be prompt. It would, I think, be found preferable to abide by the established custom, and admit value of the vessel or cargo insured, relying on the experts appointed to refuse unreasonable values.

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890. It would not be possible to fix a value satisfactorily *ex post facto*, say, by taking the cost of the ship and allowing depreciation?—No; I do not think you could begin to do that. I do not think any shipowner would submit to that. Of course, the value of the cargo would be easier to arrive at. You would have the invoice and all the shipping documents.

891. They would have to be subject to control, of course, even then?—Yes. If a man ships in time of war he naturally does not ship unless he is going to make a very large profit, apart from any question of capture, because at a time like that you have a very great deal of insolvency about. The buyer of the cargo may be insolvent, and you naturally would not do business except at a price which would fully compensate you for all the manifold risks you run in consequence of hostilities.

892. Suppose the State were to fix a charge in return for which they gave the indemnity, would Lloyd's and the underwriters generally be inclined to go out of the business, do you suppose?—Not at all. I am perfectly certain they would not. On the contrary, Lloyd's and the underwriters generally would be entirely suited by the thing. The result of that would be, to my thinking, that the merchants and shipowners would know the rates fixed by the National Guarantee. They would, I expect, prefer to deal with the underwriters whom they are used to, and against whom, in case of need, they can go to law, rather than with State officials whose decision it is proposed should be final. Therefore, they would in the first instance offer their business through the usual channels. If the risk were a good one, underwriters would accept it below the National Guarantee rate; but if, in the opinion of underwriters, it were hazardous, they would leave it to the National Guarantee. Consequently, the National Guarantee would be left with the risks that the ordinary insurance market considered undesirable, and the loss to the State would be considerable.

893. The ordinary insurance market is, as you say, a body of experts; but is not this war insurance business practically a bet from beginning to end?—That is a thing you may say of practically any form of insurance.

894. A bet by a person who has experience and technical skill?—Yes.

895. In this case the people would have all the technical skill, but would they have any experience to guide them?—No, because, as I say, there is no war business at all like it. But at the same time you have people trained to that particular habit—that particular business—and I should certainly still consider them experts.

896. And you think that the tendency of rates would pretty closely follow the risks—that is to say, they would be, on an average, sufficient, and not more than sufficient, to give the underwriters a fair profit, having regard to the nature of the business?—Yes. I should think probably there would be very little out of it for the underwriters, but I am certainly not afraid either of panic rates or of any system of ring. In all my experience that never has succeeded in the insurance market, because there is the inevitable competition between the insurance companies and Lloyd's, and between Glasgow and Liverpool and Liverpool and London the market is big enough to prevent that. I am certainly not afraid of panic.

897. Not even in the first few weeks of war? I conceive that the seizures might be out of all proportion in the first few weeks of war to what they would be

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later?—Yes. Still, for all that—of course it is guess-work rather—I repeat, I am not afraid of panic.

898. On the whole, the only practical difficulty that you foresee, and perhaps you do not attach very much importance to that, is the difficulty of placing a very large single risk?—I do attach a great deal of importance to that. If some scheme could be arrived at which, as I say, would not compete with the ordinary market, but would co-operate with it, I admit it would be extremely difficult to arrive at, but I think that would be most desirable.

899. Your idea being that the underwriter should insure the ship, but should transfer a part of the premium and a corresponding part of the risk to Government?—Or that Government should take a certain percentage of the risk at the same premium.

900. They would express their willingness to do that. They would not make it compulsory?—Suppose, for example, an insurance for a very large amount had to be effected, the people concerned—the shipper and the shipowner—would know that there would be a market for them with the National Guarantee after the ordinary market was reasonably full. There would always be, to my thinking, a pretty free market up to a matter of £200,000. I am taking, as an instance, the case of steamers going to Vladivostock, because that was blockade running where the people concerned meant to make a pretty good profit out of it, and they chartered pretty big steamers, and the cargoes were undoubtedly valuable; but the whole thing insured did not, as a rule, exceed £150,000—in fact, I do not know any case where it did. Therefore I take it, as far as regards ordinary business there would be enough market to take it. As for the exceptional risks I would certainly be glad to see some scheme to provide for them.

901. (*Sir George Murray.*) I am not quite sure whether, apart from panic, you contemplate a considerable rise in rates or not, in the case of war?—Personally I should not contemplate a very considerable rise in rates.

902. You said, for instance, that the insurance market could practically take up any risks that were offered, which is no doubt true, but at a price, I suppose?—Of course, you are asking me a question which is very difficult to answer, because it is purely guess-work, but personally I would like to put a concrete case. Take a ship coming from Canada, for example, to this country with foodstuffs; if anybody asked me what the rate of that would be likely to be, I should say about 2 per cent., not more.

903. That would depend entirely on whom we were at war with?—I am taking the worst case—a strong naval combination. If we were at war at present with any one Power I do not think the rates would be at all excessive. The rates on the enemy's stuff would be, no doubt.

904. Then you do not look forward to any considerable rise in insurance rates?—There will be a certain amount of rise. You would have to pay 2 per cent. where you now have to pay nothing. You see, in all the wars that have gone on hitherto it is very difficult to get any real line about it. In the Spanish-American war the only serious damage which was occasioned was caused by the Americans capturing the steamers loading in the Gulf of Mexico. They stood in the Gulf of Mexico, and swept it. That was three days before war was declared.

905. Do you think it quite possible that at, or close to, the outbreak of war rates might rise out of all proportion to the real risk?—All I can say is, I do not expect that.

906. It would be a very highly speculative business even for the best expert that you can imagine, would not it?—My own view of the thing is—of course, it is absolutely guess-work—that underwriters would expect to make a good deal of money out of insuring British enterprises, and therefore they would be anxious to get the business and run it cheap. You must look at the facts, that in any war that has yet gone on, anybody who wanted to capture anything could do so. Suppose the Russians had got a cruiser in the East, at Singapore, they could have captured any of the Japanese ships coming out. There was nothing to prevent them. In a war with this country, surely our Fleet would be able to inconvenience the commerce destroyers to a certain extent. They would not have it entirely their own way, as hitherto they have. That makes it so difficult to form any basis of judgment.

907. But if, as you say, the underwriters would expect to make a good deal of money out of war risks, is not that tantamount to saying that the rates would be above the real risk?—No, I do not think it is.

908. (*Chairman.*) Did you mean by that that they would not expect a big profit on individual risks, but they would do a large business?—They would expect to have a considerable profit, and, therefore, they would be anxious to do the business, and not charge panic prices which would drive it away.

909. (*Sir George Murray.*) Then you also thought there would be a considerable amount of transfer of shipping in the early stages of the war?—I am not a shipowner, and I cannot say. I am not in a position to judge. Personally, I do not think so, because after all the principal business and the most lucrative business for a shipowner surely, would be trading with this country, and he would be getting the highest freights to this country.

910. Yes, but might not he prefer to get them under a neutral flag to his own?—Yes, but a neutral flag does not happen to protect you, at least it has not hitherto. Practically all the steamers that the Japanese caught were flying a neutral flag.

911. It would be a safer flag to sail under than his own, probably?—It might be.

912. But you do not think the danger of transfer is a serious danger?—I do not think it is at all. I do not think it is going to last. The moment the war is over, unless this country is crushed, they will be retransferred. If we are crushed that is another matter.

913. Then you see a difficulty in settling claims under any scheme of indemnity or national insurance?—No, I think you misunderstand me there. I do not see any particular difficulty in settling claims provided you follow the custom of the trade. I do not think it would be any more difficult for the national guarantee to settle claims than the insurance market, but I think there would be great difficulties if, when the loss has come, the shipowner has got to prove what the value of his steamer is. I think that would be a most tedious business.

914. Would that be very difficult?—Very.

915. You admit the value insured in every case now in ordinary practice?—Yes, always.

916. It is never disputed?—I suppose you would exclude fraudulent value.

916*. (*Sir James Mackay.*) The policy is generally proof of value?—The value is admitted in the policy.

917. (*Sir George Murray.*) You have to consider when you take the risk whether there is likely to be fraud?—As a matter of fact fraud so rarely occurs.

918. Why should there be more fraud under a system of national guarantee?—Because it is just the time when you would have a chance, you see. Nowadays, in the ordinary commerce, supposing an owner has got several steamers, and he puts a fraudulent value on them, and he loses one, nobody wants to have any more to do with him. It is over; it is finished; he is found out.

919. Whereas under a system of State indemnity he would go on doing it?—First of all, I imagine the national guarantee would not be able to stop. You would have to go on during the continuance of the war, and, secondly, in a time of war like that it would be very difficult to arrive at what the value of the steamer was. Now in the ordinary course you are offered a steamer to insure. You know the year she is built, and you know she is just on a par with any given quantity of other steamers. Take the ordinary steamer of a value of £10 a ton. If a man put on it a value of £20 a ton you would want some explanation. Who are you going to put up for the national guarantee to be the judge of these things?

920. Do you think it is quite possible for the State to provide itself with the same protection that the underwriters would require in their own business?—As I pointed out, at a time like that it would be very difficult to get any of the men who have been trained in insurance business, simply because everything they possessed themselves would be at stake.

921. But on the hypothesis of a national indemnity they would not have much more to do than usual, would they?—Oh, yes.

922. All that class of business would leave them, I suppose?—If it was taken advantage of by everybody; but, after all, there would be a great many foreigners trying to ship goods to this country. I do not suppose the national guarantee would include them, would it?

923. Not a foreign owned ship, of course; but possibly the foreign owned cargo might be included. But it seems to me that the State would be much in the same position under this scheme as the underwriter is now. If he can protect himself, why cannot the State get the same advice and assistance and protection?—If you are going to have a national guarantee without cost from the State, I dare say you would be able to get experts, but I think that is open to so many objections that I simply cannot understand anybody contemplating it; the expense would be so enormous

924. The main objection would be the chance of fraud?—Not only fraud, but the tremendous expense.

925. On the assumption that there would be a great deal of capture?—There is bound to be a great deal of capture.

926. But would there be more capture without premium than with it?—I am afraid I do not make myself clear. If you get premium with it you have something to pay your captures with.

927. (*Chairman.*) I rather understood you to imply, but I do not think you expressly stated, that the opportunities for fraud would be very much greater in war than in peace?—I think very much greater.

928. The chance of giving away a vessel to the enemy without being detected is much greater than the chance of throwing away a vessel recklessly?—Yes. It is a case of extraordinary difficulty.

929. (*Sir George Clarke.*) I think we may take it that your general view is that there would be no marked tendency to panic arising out of a rise in insurance rates?—Quite.

930. You admit that that depends to some extent upon the Powers with whom we were at war?—Yes.

931. In the case of indemnity you spoke of 2 per cent. as being a possible rate for cargo coming to us Do you think it would be as low as 2 per cent. if we were at war with the United States?—I should certainly think so.

932. With their whole navy on the other side?—Perhaps temporarily the rate would be higher, but then you would draw your supplies from the Argentine and India and the Black Sea. But that is rather one of the points I want to bring out that under a system of national guarantee there would be nothing to prevent shippers going on shipping from Canada. Perhaps it would be very much better for them to ship from a place where they would not be liable to capture.

933. I suppose you have found it impossible practically to make any estimate of the possible percentage of loss in the case of particular wars?—I do not think anybody can.

934. So that we have none of us anything really whatever to go upon?—As far as I am concerned I think there is nothing at all.

935. We none of us can have, in fact. There is nothing really in past experience, because you throw out the experience of the Napoleonic wars. There is nothing really in past experience that could guide us to form an opinion as to what would happen in such an enormous event as a naval war in which Great Britain was involved?—That is quite my opinion.

936. Do not you think it is possible that the mere rumour of hostile ships being in places where they could not possibly get might give rise to a great rise in rates?—I do not think so. At the time of the Russo-Japanese War, when Rozhdestvensky was going out to the East, there was a report all of a sudden that he had detached cruisers to watch the rice ports, because the Japanese were getting pretty short of food, and there was a great trade doing in rice cargoes from Rangoon. The rate never seriously went up. That was a rumour. I have looked up my records of that, and I cannot see that we ever paid more than 1¼ per cent. Of course, it was a rumour; it was not true, and I do not believe the people quite seriously thought it was.

937. (*Mr. Llewellyn Smith.*) Was that on neutral ships?—Yes. All the stuff that was captured was on neutral ships.

938. (*Sir George Clarke.*) Were any insurances made in 1885, when we were supposed to be going to war with Russia?—Yes, but the rates were comparatively very low.

939. Then we must not think that the market would really be governed by telegrams which would arrive from day to day, altering the apparent situation, and therefore giving rise to great fluctuations. We must not accept that view?—I do not think so at all. I think the market would be affected by captures, and nothing else.

940. Not by rumours of the presence of an enemy in different parts where it was known that our trade was in danger?—I do not think so.

941. Is not the general estimate of the risk rather a question of naval strategy and naval knowledge, which underwriters would not be particularly well trained to express an opinion upon?—Quite.

942. For instance, in the Nicolaiefsk case that you have told us of, was not that rather an excessive estimate of risk?—It was tremendously dangerous.

943. A long way off?—The ships were loading in Australia. You have to get round Cape Elizabeth. One torpedo boat, if she could have stood the weather (which she could not), would have stopped that.

944. Of course, anything like rates of 50 per cent. which you gave us would be prohibitive?—Quite. I only mentioned that as an instance, as showing that there is practically always a market at a price. Of course, it would be absolutely prohibitive. I do not imagine that such rates would ever obtain.

945. In normal times, I suppose there are not many underwriters who undertake the business of war insurance, such business as arose, for instance, during the Russo-Japanese war?—There was a large insurance market then.

946. But if the demand suddenly expanded, I suppose the market would rise to the level of the demand?—That is my opinion.

947. I am not quite certain whether you think that private insurance and a system of national insurance could proceed side by side?—I think it would proceed side by side under Scheme B, where you have a national guarantee with a premium. But underwriters would not go out of the business on that account.

948. Therefore if the State had a fixed schedule for particular routes, which lasted the whole time of a war, the underwriters would still do their work, and would under-cut where they could?—Under-cut where they wished.

949. Where they thought it was desirable?—Yes, I think underwriters would very cordially welcome such a scheme.

950. And as security was gradually established by the action of the Navy, I take it that the State system of purchased indemnity would lapse completely, and the underwriters would take on the whole business?—Yes, I should think so. Of course, I do not know what the State indemnity would do. At any rate, the rates would have to be adjusted. In time of war rates fluctuate pretty well every day.

951. Whereas when the supremacy of the Navy has established itself on the seas, the natural result would be that rates would drop?—Yes.

952. And then the State system would fall out practically because the underwriters would be able to give better terms?—Yes.

953. So that the State insurance, or State purchased guarantee, whatever you like to call it, would really be a steadying principle applying during the first months of war rather than a system operating throughout a long period of war?—I think so.

954. Do you think underwriters would act as agents for Government purchased indemnities on commission?—I should think it would be quite possible.

955. In that case the Government would not have to start an elaborate principle of machinery to put its system of purchased indemnity into practice?—I think if such a scheme was suggested that would be the only possible way to work it.

956. I think your general view is that the losses would not be great on account of the protection that we expect from the British Navy, and therefore that the risks which the underwriters, if they were left

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alone in the undertaking, would have to meet, would not be excessive?—That is my view. I say they would not be great compared to the enormous amount of British commerce that would have to be insured.

957. But if that was so, I suppose that would apply equally to the State; the State risks would also not be very onerous?—Not crushing, I quite agree with you.

958. It would apply in both ways?—It would apply in both ways. What I want to point out about the State is this, that where the underwriter can control his liability the State could not. For example, if an underwriter thinks a risk is hazardous, he would not write £100 on it. If he thinks the risk non-hazardous, he can write a couple of thousand pounds. The State, on the contrary, I imagine, would not be able to limit their liability. If it was a national thing, they must take whatever risk comes along. That would be one of the reasons, I think, why it would be very difficult to work the thing without a very great loss to the country.

959. I think I understood you to say there would be a very general inflation of freight rates in time of war?—I hesitate to answer these questions, because I am not a shipowner. I only deal with insurance. I do not really know. You must ask a shipbroker.

960. You attach no importance to a view which has been represented to us, that the rates of insurance would rise so high as to cause ships to be transferred to other flags?—I really do not. I do not say there would be no transference, but I do not think it would be serious.

961. Did you do any insurance on foreign ships during the Russo-Japanese war?—Yes.

962. What sort of rates were charged to them?—When you say foreign ships, I do not quite understand what you mean.

963. Ships under foreign flags?—In the Russo-Japanese war, practically all the ships were under a neutral flag, with the exception of the Nippon Yusen Kaisha, and the Russian Volunteer fleet. The flag did not make an enormous amount of difference. There were rather higher rates paid on the Japanese boats

964. Do you think that, in the event of war, neutral ships and neutral cargoes would have to pay considerable insurance rates?—Certainly, if they were coming to this country, if they were trading with either belligerent.

965. If they were trading with anything which might come near the definition of contraband of war?—You remember the list that the Japanese and Russians drew up as to what was contraband. It was practically everything.

966. You gave us to understand it was rather difficult to fix values under any State system, that the State might be deceived in the matter. If values were taken for the purpose of the State premiums at the rate which has been fixed for the marine insurances of those ships, would the State be fairly secured?—Yes, the State would be fairly secured. I should think perhaps that might meet the objection.

967. If the State were prepared to accept such estimates of the value of ship and cargo as had previously been accepted in the open market for the purpose of marine insurance, do you think the State would be fairly secured?—If the shipowner would be content with that, of course. If you are engaged on a particularly hazardous enterprise, or if you have got a particularly lucrative contract in the event of war, surely you must recoup yourself by having a higher value on your steamer. But at the same time that might be met by a percentage. I think what you say would meet that case.

968. I presume you would expect, supposing the State premiums did not cover every marine risk, that all marine risks would go on unaltered during the war?—Yes. Undoubtedly marine risks would rise a little.

969. But they would be dealt with entirely on the open market; the State would have nothing to say to them?—Yes, I should think so.

970. And ship and cargo owners would be likely to continue their marine insurance, even if they got a war insurance?—Yes, of course they must.

971. (*Sir James Mackay.*) Do you think that marine insurance rates would rise in the event of war?—Yes.

972. Why?—If you are trading to a country, and your lights are out, and you have any amount of steamers not showing lights, the risk of navigation is immensely increased.

973. If trading to an enemy's country?—If you are coming up the Mediterranean, for instance.

974. In the case of trading between countries where lights are not out, I suppose the risks would remain the same, or do you think there would be a general tendency to rise?—It is not of very great importance, but I think there would be a tendency for the rates to rise.

975. (*Chairman.*) You know the policy of this country is to keep all its sea lights burning in time of war?—That I did not know.

976. That is so, on the principle that our interest is to get our own shipping in?—Yes. Of course, there would be a great many other people who would not.

977. (*Sir George Clarke.*) All neutrals would be bound to keep their lights burning?—Yes. Anybody running a blockade would not have lights.

978. (*Sir James Mackay.*) I think you said you did not think the rumours of enemies' cruisers being in the neighbourhood would be likely to put up rates?—I should not anticipate that.

979. Did not they do so in the case of the Russo-Japanese war? I think you said the rate was about 5s. at first?—It went up to three-eighths.

980. I think you said it went to 1¼?—Yes. The only rate I have got here is three-eighths.

981. And it rose to 1¼?—Yes, for a very short time.

982. I think it rose as soon as they got to Mauritius and to Mozambique and that neighbourhood. The rates went up materially then?—I should not call that a very material rise.

983. About three times the amount?—But on the value of your cargo it does not amount to very much.

984. (*Captain Ottley.*) You say in the case of the Russo-Japanese War the neutral flag was not any great protection against capture?—I am not aware that it was ever a protection.

985. Do you think that perhaps that was partly due to the fact that, except for the Tokio-Yasen-Kaisha and the Nippon-Yusen-Kaisha in the case of Japan, and, of course, the volunteer fleets in the case of Russia, there was nobody to carry the commerce except neutrals? That would be partly the explanation why any contraband of war or anything should come in neutral vessels?—Yes, I think so, but at the same time there is no instance where your neutral flag protected you. Whether there was or was not the neutral flag in that war, it did not constitute a protection.

986. Still, I dare say the general clauses of the Declaration of Paris did act as a very material protection—that is to say, when a neutral ship was not carrying contraband of war, and was not consigned to a blockaded port—Russia, for instance, if she captured that ship did so at an enormous risk. Of course, it is palpable that is so?—Yes.

987. In other words, that in any future war between countries who hold the Declaration of Paris to be binding on them, the neutral flag should be sufficient protection except in the case of vessels carrying contraband of war or in the alternative in case of their being blockade runners consigned to blockaded ports?—That is a thing on which I am absolutely unable to express an opinion. All I can say is that all my experience is the other way. Do you remember those three fur steamers that the Japanese caught from Kamstchatska and the case of the Knight Commander?

988. Where were they consigned to?—They were consigned to the United States, I think. They were sailing under neutral flags and carried neutral cargoes.

989. Had they contraband of war on board?—They had furs.

990. Was that held to be contraband of war?—The Japanese caught them, and the owners had to proceed against them in the Prize Courts, and it is two years now before they have come back.

991. The only possible way in which they can be condemned is if it can be proved they contained contraband of war?—Yes. At the same time, hitherto it seems to me they have captured them, or sunk them in one or two instances, and you get redress in two years' time. After all, it is to my mind a theoretical advan-

tage, but it is not a practical one. At the moment you have got to pay.

992. But do not you think in the case of a war between ourselves and France, for instance, it would be a very practical consideration if France attempted to capture an American ship running to a British unblockaded port and containing material which was not contraband of war? In that case I submit the American ship would in all probability be allowed to go in?—I do not agree with you. In the time of war, if we were at war with France, and an American ship was going to an unblockaded port in this country, I should think she would be stopped every time.

993. And carried into a French port?—Yes.

994. Would you go even so far as to say she would be condemned as a prize?—I say that is my experience of what happened in the Russo-Japanese War.

995. But, you see, we thought the Russo-Japanese War was of rather an exceptional character?—It did not alter the fact. Were not they both signatories of the Declaration of Paris?

996. Not Japan, I think. Anyhow, I was putting it on a much broader ground; the question of the probability that such an action as that on the part of France would raise such a protest in the United States as would probably result in bringing the good understanding between the two countries into jeopardy?—Of course, I am only speaking as an insurance expert, but my experience is entirely the other way. I think you have to remember this. The United States in the event of war between France and ourselves would be making money hand over fist. Why should they embroil themselves? They could make sufficient diplomatic representations, and they could bring pressure to bear to obtain some undertaking to be put before the Prize Court. Meantime the ship would be captured, and the underwriters or the national guarantee would have to pay.

997. Really you take the extreme view that with regard to a vessel under a neutral flag it is as though the Declaration of Paris did not exist; the vessel under a neutral flag is no more protected, although she is not consigned to a blockaded port, and although she does not contain contraband of war, than if she was consigned to a blockaded port?—All I can say is my experience is that the Russians sank a boat under the German flag, and the Japanese sank boats under all sorts of flags. I can only tell you what is my experience, and I again refer to the case of the Knight Commander.

997*. I think it does bear upon the question that the result of Russia's action in that respect was to bring us very close to grave complications with Russia, and I suppose that history would repeat itself. Do you not think so?—Yes.

998. In other words, there would be a tendency then for neutral ships not to have to bear such heavy rates of insurance as belligerent ships?—I think there would be that tendency.

999. Do you think, for instance, that in a war between England and France, in which the United States was neutral, the United States ships would have to pay the same war premium as British ships?—I should say pretty much the same.

1000. If there was any difference it would be in favour of the neutral?—Certainly, what difference there was.

1001. The difference, such as it was, in favour of the neutral would be tantamount to putting a difficulty in the way of the British ship. If there were two ships waiting for cargoes, one flying a neutral flag and the other flying the British flag, inasmuch as the neutral flag would pay a lower premium, she would be able to take the cargo at a lower rate?—I think that is so.

1002. To revert to the question of the two alternative schemes which are at present before the Committee, there is the scheme of gratuitous guarantee, which I think you say would not be acceptable to the country at large?—I think it would not be.

1003. The scheme of insurance, you think, to the extent that the British ship would have to pay a premium, would be in effect a bounty given to the neutral. The freight of the British ship would have to be so much greater by the war insurance than the freight the neutral ship would take?—Yes.

1004. That being so, the gratuitous indemnity being, as you think, not a possible scheme, and the effect of purchased indemnity being tantamount to a bounty upon the neutral ship, do not you think there is a danger that the neutral ship will be able to undersell the British ship and take cargoes at such a low rate that the British ship would be unable to get cargoes?—No; they would not be able to do the trade. There is not enough of them. There would be an enormous demand. I do not anticipate for a moment at a time like that they would be able to do that really in such a way that the British steamer would go without its freight. You must realise the fact that there would be a great wastage of tonnage. There would be all the vessels taken off for transport; all the vessels taken off the ordinary freight market for the purposes of war, and you would get an extraordinary shortage of freight. None of these ship-owners would be having their ships laid up; they would all be working as hard as they could.

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1005. Notwithstanding that the neutrals would be underselling?—It is not a question of underselling. When you want every ton of shipping you can get hold of, there is not much underselling. I think the ship-owner would be in a very strong position and would be able to dictate his own terms.

1006. Although the war rates on British shipping may be very considerable?—Yes, but the war rates on the neutrals are not going to be nothing at all. What difference there is is in favour of the neutral; but I do not think it is at all reasonable to draw a sort of picture of the British ship-owner with his ships all laid up and not getting a freight, while the neutral flourishes at his expense. In the Russo-Japanese war, which was a comparatively little war from the maritime point of view, there was a tremendous demand for freight.

1007. For what it is worth I think you would agree that it would be preferable, if possible, to raise your fund out of which you are going to pay for these losses, supposing there is some system of national guarantee, by a tax which would hit the neutral and the belligerent merchant ship equally, if that was possible?—Yes, if that was possible.

1008. (*Mr. Llewellyn Smith.*) On the last point, about the shortage of tonnage, would not there also be a shortage of goods to be carried by the cessation of direct trade between the belligerent countries? You say all the shipping would be wanted because there would be such a shortage, such a number of ships taken off for transport, and so on. But also foreign trade would be checked; the direct trade between the two belligerent countries would be very greatly diminished, and perhaps cease. Would not that about balance it?—I do not think so. You would have to get enormous supplies into the country of war material and things like that. You would have to make much larger provision, because you would have rather to allow for your captures.

1009. In answer to Sir George Clarke, you said you thought that one method of valuing the vessels captured would be to accept the value fixed by a policy of marine insurance?—Yes.

1010. But are not there a large number of vessels, as a matter of fact, not insured with underwriters, on which there are mutual schemes, or big fleets which would insure themselves?—Yes, there are; but I do not think it would be very difficult. I think those are the sort of people whom you can trust.

1011. Where fraud would not be anticipated?—Yes.

1012. Do you think that your general objections to an unlimited system of national guarantee would be to any degree overcome if it was limited in point of time—that is to say, confined to vessels afloat at the outbreak of war, or a limited number of months afterwards, and then ceased, if the State took the risk of vessels actually afloat?—I am bound to say that was not a point that ever occurred to me, of a short guarantee. But speaking on the spur of the moment, I should think that something of that description might be distinctly advantageous, because if there is going to be any capture it is going to be in the first months—capture by vessels following your boats into their loading ports, or practically just outside their ports. I think if a scheme like that could be formulated it would cost the State comparatively little, and could be comparatively easily worked, but I admit it never occurred to me, and I have not really considered it.

Mr. Robert Bertie Lemon, called and examined.

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Mr. Lemon, in a preliminary memorandum,* had submitted:—

(1) That in marine insurance each risk has to be dealt with on its merits, and that the insurance market is wide and ever varying.

(2) That a National Guarantee, though attractive in theory, would be unworkable in practice.

(3) That the division of sea risks and war risks between the underwriter and the Government would lead to dispute, and to the continuance of war insurance in the ordinary way.

(4) That the category of losses, which it is suggested that the State should cover, is not so full as that included in the "Warranted free of capture" clause of a Lloyd's policy.

(5) That under an indemnity restraint and discrimination would be necessary, and that the conclusion arrived at during the recent Naval manœuvres, viz., that the initiative as to time of sailing, route to be adopted, etc., should be left to the shipowner, is incompatible with these conditions.

(6) That great difficulties under any scheme would arise as to the valuation of ships and of cargo, and that the investigation of claims would lead to great delay in settlement.

(8) That it would be advisable to admit Indian and Colonial vessels to the benefit of indemnity.

(9) That it would be impossible to fix a premium that would apply equally to fast and slow ships.

(10) That it might be possible for the State to effect insurance in co-operation with underwriters.

(11) That sailing vessels should be excluded from any scheme.

(12) That the doctrine of "Free ships, free goods," in the Declaration of Paris is opposed to the true interests of this country.

1013. (*Chairman.*) You are an underwriter, I think?—Yes, underwriter to the Marine Insurance Company.

1014. You have had a large experience of ordinary marine insurance?—Yes.

1015. Have you had much experience of war risks?—Yes, a great deal. We had a serious experience the year before last.

1016. Do the same considerations apply in fixing your war rates as apply in fixing ordinary marine rates?—Scarcely, because of course in fixing war rates we are not supposed to know very much about war rates, because we very seldom have the experience. But in fixing ordinary rates there are many things to be considered which do not come in when you are fixing a war rate.

1017. At any rate, questions of the character of the ship-owner and the character of the ship apply equally to both classes of risk?—The question of character would apply very considerably in cases of war risk, because it is to a great extent a question of moral hazard, and the ship-owner who is beyond suspicion is a far better man to deal with than a man who recklessly runs his property into danger for the sake of getting the insurance money.

1018. And therefore you mean that it would be necessary to take each individual risk on its merits?—Most distinctly.

1019. It would be impossible to make any general tariff applicable to all persons or all ships?—That is impossible, because you have the fast liners, which go 21 knots an hour, and which could very likely escape when a war vessel was chasing them. Where you have little tramps steaming 9 or 10 knots it is practically impossible for them to get away.

1020. Then I come to the special subject of our inquiry—the war risks. You suggested, in the *précis* you have been good enough to send me, that even assuming our indemnity was as comprehensive as that given by an insurance company, or by Lloyd's, the position of a person insured against marine risks by a private company and against war risks by the State would be less good than the position of one who was covered for both risks by the same policy?—Naturally, because it is very possible that a man may fall between two stools. In many cases it would be a complete indemnity, no doubt, because if he cannot claim on one policy he can claim on another. But there are circumstances under which a man would very possibly come to grief. On one policy the underwriter would not be liable, on another policy he would not be liable, and therefore as neither of them admit liability, the probability is that the man would not get his money. If he has one policy he knows perfectly well that covers him for everything, and he can claim on that, and naturally whatever happens, whether it is a sea risk or a capture, it must come on to the one policy.

1021. What you suggest is that if the sea risk and the capture risk were separated there would be certain classes of cases in which it would be very disputable to which class the risk belonged?—Certainly.

1022. Perhaps you will give the Committee some instances of the kind of case?—Certainly. In the event of a missing vessel, suppose this country is at war, and this vessel may be in the vicinity of some of the enemy's war ships, that vessel probably is never heard of. Who is to know whether she comes under the capture clause or whether she comes under an ordinary sea peril? But there are one or two cases which I instance. There would be cases under which it would be difficult to know under which head to place the loss, whether from sea policy or from capture. For instance, an explosion, whether from within or from without, that is to say, supposing the boilers were to explode and wreck the ship, that would come under a sea policy, but if the enemy were to fire into them, of course, that would come under the capture policy. But who is to know? You cannot find out. Then there is another question, a vessel barratrously delivered to the enemy and destroyed by him. Under which policy would that come?

1023. It surely ought not to come under any policy at all?—One would think not.

1024. How do the private underwriters protect themselves against a fraud of that kind?—There is a clause in the policy.

1025. I meant not so much what is your legal defence as what is your practical protection. If you can prove barratry, of course, that is a sufficient defence?—That is quite sufficient defence.

1026. (*Mr. Lindley.*) There is a special clause in the policy covering barratry?—Yes.

1027. (*Chairman.*) Yes, I understand there is a special clause in the policy, but you see my point is that that clause does not give you protection unless you can prove barratry?—We had a case the other day of a French vessel called the "Jeanne d'Arc." The vessel was sunk by the order of the captain, there is not the slightest doubt about it, and the crew rowed into St. Michaels, and as they rowed into St. Michaels this vessel, which was supposed to be sunk by the captain, was towed into St. Michaels at the same time. We had a tremendous long suit. It was three years, I think, in the French Courts, but we won, and we had not to pay. It was almost as bad as paying a total loss. It was a tremendous expense, but we showed up the owner and ruined the man, whose name is Paul Dore.

1028. Are there any other cases where you think difficulties would arise in deciding whether it was a marine risk or a war risk?—Take the case of a vessel seized as a prize, and in course of being taken to an enemy's port for adjudication. She is lost by a sea peril, or by intentional scuttling while in the hands

* *Vide* note p iii.

of the enemy. Under which policy is that to come? She is first of all seized as a prize, and as she is taken in she is lost by a sea peril.

1029. These questions do not arise under an ordinary policy, because the ordinary policy in such cases covers them for everything?—For everything.

1030. But does it not frequently happen that the underwriters who take a marine risk do not deal with war risks at all?—Very frequently.

1031. In that case is it not necessary to have a second policy?—Yes. There is a necessity there, of course. But I am only instancing now, when a war is actually going on, then it is desirable, I say, for a man to cover himself with one policy if he possibly can. There are many men who during the currency of a war will not write war risks.

1032. When that happens these questions would have to be decided by agreement or in the Courts?—Yes, they would be decided in the Courts, I should take it, if neither policy would admit liability.

1033. Has there been much difficulty of that kind within your experience?—No, not very much, because we have had very little experience of any very serious maritime warfare.

1034. But you think in the event of a serious war such cases would become more numerous?—Yes, I should think so, judging from the serious losses that we had in the Russo-Japanese War.

1035. May I ask you to look at the Schemes that were sent to you? In regard to the losses which it is proposed to cover, I think you have suggested that our clause is not as full as that habitually given by underwriters?—You do not say anything about riots and civil commotions.

1036. (*Mr. Beauchamp.*) That is excluded purposely?—The proposed clause is not quite so full as that sometimes granted by the underwriters, which includes "riots and civil commotions," and reads as follows—namely, "Warranted free of capture, seizure and detention, and the consequences thereof, or any attempt thereat, piracy excepted, and also from all consequences of hostilities, riots, civil commotions, or warlike operations, whether before or after declaration of war." That is the clause which is sometimes inserted in policies. I do not quite understand whether under this scheme it is proposed that a ship owner should pay a premium during times of peace to enable him to get indemnity during time of war. It is not quite clear in this paper whether it is intended that a man should always pay a premium whether there is war or peace.

1037. (*Chairman.*) Certainly not in Scheme A. The basis of Scheme A is that the ship owner or cargo owner shall be given a free indemnity without payment of any kind. The basis of Scheme B is that he should pay some premium in return. Of course, you might adopt either of the two systems you suggest in regard to that premium. It might be a small sum, almost in the nature of a registration fee, in time of peace, by which a fund would be accumulated to meet those losses, or it might be something like a war premium charged only in time of war. But I think on the whole you are opposed to any scheme on these lines?—I am absolutely opposed to the Government undertaking any scheme of this description, because it is utterly impossible. The Government have not got the machinery to work it, and to my mind it is utterly impossible to put all ship owners on an equality and all steamers on an equality, which no doubt the Government would have to do. Every ship owner is a tax payer, and he has a perfect right to have his vessel insured. You cannot discriminate. That is where I consider that we private underwriters have the pull, because we know to some extent the character of the person with whom we are dealing and we can discriminate; we can refuse one man's vessel, and we can take another. That is what we are there for, to exercise our discretion.

1038. What would be the result of your exercising your discretion. Would it probably lead to very high rates in the early weeks of a war in which we were engaged with a big naval power?—Of course it is difficult to say what you would consider very high rates. Would you call 20 per cent. or 30 per cent. high rates?

1039. Yes?—I may tell you that when the coals were being shipped out during this last war a premium of 30 guineas was paid regularly on all the coal shipments that went out to Vladivostock for the benefit of the Russian Government, and I may also tell you that probably four out of five of them were captured.

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1040. Yes, but that was of course a very special risk?—It was a special risk.

1041. In the first place the coal was clearly contraband?—Clearly contraband.

1042. And then the cargoes were being shipped to a port which was very nearly blockaded, if not quite?—Yes. They were the very worst of risks, I must admit.

1043. The risks that we have to contemplate would be very much less than that in the majority of instances?—In the majority of instances very probably.

1044. But, on the other hand, the goods we require for the maintenance of our industry and the feeding of our population would not stand rates of that kind?—Certainly not, but then it just depends what they declare to be contraband. Suppose they bring in grain. Grain would very probably be declared contraband. You cannot tell. We never know what is contraband and what is not, and that was the trouble with this war. I see this morning that the Germans have got some indemnity out of the Russians again. That was one of the German ships that was sunk, clearly with no contraband, at least they did not state it was contraband, and therefore they had no right to sink the vessel. It would be an excellent thing if we could get our own Government to take a leaf out of the German Government's book.

1045. The more the other belligerent includes in his list of contraband the higher will be the average rate charged on shipments to this country?—Yes. You would have to discriminate between what you consider contraband and what not, because some of the risks are covered at ¼ per cent., or at ½ per cent., on goods that one would naturally suppose are clearly not contraband. But whether a thing is contraband or not, like kerosene oil or anything of that sort, which had never been declared contraband, they might consider it contraband, and under those circumstances they might destroy your cargo.

1046. Would not the effect of all this be to make the insurance of war risks a very speculative business, for which underwriters would be forced, at any rate in the early stages, to charge very high rates?—Of course, very much depends upon the circumstances. If we were at war with a Power like France or Germany, with a big navy, it naturally would be a very serious matter, but with a smaller Power it would not be so bad.

1047. I am contemplating the case of a really serious naval war?—In a really serious naval war you would have to charge high rates, but not such enormously high rates as those that were paid on the actual contraband. But it is a very difficult thing to say what sort of rates you would have to charge; so many circumstances would have to govern your mind in the fixing of a rate.

1048. Have you any experience in war risks that is really useful in guiding you. I mean has anyone?—The greatest experience we have had has been in this last Russian war.

1049. But it would not be easy for you to draw inferences from that to the conditions which would prevail if we were engaged in war with a great naval Power, would it?—It would give us some sort of line to go upon, I think, although of course it is almost impossible to say. I can remember when France and Germany were at war in 1870. There were more sailing ships than steamers in those days. We used to get 15 guineas to 20 guineas per cent. on vessels going round from their port of call to the coast, getting round to Kingstown or Liverpool, and that paid us uncommonly well.

1050. What ships were those?—Little grain ships coming from the Black Sea, going to a port of call, and then going on to their destination.

1051. To their destination in a belligerent country, in Germany or France?—Oh, no; going from one port of call to another port in the United Kingdom. They would be little German ships. They would be belligerent vessels, of course; not neutral vessels.

1052. I did not quite understand where the war risk came in?—They were not neutral.

1053. Supposing we were trying to frame a scheme somewhat on the lines indicated in those papers, have

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you any observations to make about the conditions which are to attach to the grant of an indemnity as laid down there?—Do you mean to say having regard to the premium which is to be charged?

1054. Just look at your paper, paragraph 5?—"Conditions to be complied with to secure indemnity. These would involve necessarily considerably delays, especially if a vessel were in a foreign port. Arrangements would have to be made by cable resulting in expense and loss of time."

1055. Arrangements of what character do you mean? Do you mean for conveying to them the instructions of the Admiralty as to the line of route?—Certainly. I take it if the Government think of supplying this indemnity, the shipowners would have to be under the control of the Admiralty under all circumstances.

1056. Under the general control of the Admiralty?—Yes, under the general control of the Admiralty. I say that that would take away a great deal of the safety, because the initiative of shipowners would not have fair scope.

1057. On the whole you think that a ship will stand better chances if it is left to the discretion of the captain to find his way home than if we try from here to give him general directions?—Certainly, I do, under certain restrictions. Of course, the Admiralty would let the shipowners know the safer routes that are to be traversed, but I do think that it would be a very serious thing to tell the captains of the various steamers what time they have got to sail.

1058. I do not think we contemplate that. It is rather that the Admiralty might perhaps at particular places and at particular times warn vessels that it was not safe to leave at all, or that a particular route was unsafe at a particular time; but their directions would be in any case of a very general character. Would much more be involved than what the shipowner would be naturally anxious to do even if there were no question of a State guarantee?—You see that all comes under this first head, this question of whether a shipowner is a man of good moral character or not. A man who wants to lose his vessel could very easily lose his vessel, and run into some risks which a cautious shipowner would not do.

1059. I was asking you some questions just now on that point. What I do not quite understand is wherein the difference will arise on that point whether the man be insured with an underwriter or given an indemnity by the Government. Why is it easier for him to throw away his ship if he is indemnified by Government than it would be if he had insured with an underwriter?—There again you see the underwriter would discriminate, and if he knew the man was altogether a wrong character he probably would not undertake his risk at all. That comes back to the first point—that the Government have to take every risk. They have to take Dick, Tom, and Harry, and they cannot discriminate at all.

1060. That is really the fundamental difficulty, you see, that the Government cannot discriminate as an underwriter would do?—Certainly, and I think that is a very grave difficulty, too.

1061. Would there be great difficulty in your opinion in the State ascertaining with fair accuracy the value of a ship for the purposes of paying a loss?—Yes, I think there would. You see when we have to underwrite a risk we always fix the value beforehand, and it is within an underwriter's knowledge to know fairly well what the value of that ship ought to be. But if after a loss comes the value of the ship has to be fixed, naturally I think the shipowner would endeavour to get as much as he could out of the Government, and I think there would be many squabbles about the value that would have to be paid.

1062. If you took practical men engaged in the business of insurance now, could not they name with approximate accuracy a value for any ship on knowledge which is common property?—Yes, I think so. By practical men, you mean experts in the business?

1063. Yes?—Yes, certainly.

1064. Without necessarily surveying the ship?—Oh, yes. You can tell by your Lloyd's book.

1065. Why could not the Government act upon the same information, with the assistance of practical men?—Yes, they might be able to do that, but then after a vessel is lost would not that lead to a great many squabbles with the shipowner with regard to the value? The shipowner would come to the Government and say, "My vessel was built for a special trade. It is everything to me to keep the ship; it is not the money I want, I want my ship, and as you cannot give me my ship, I want to have as much money as I can out of you."

1066. That would mean that he would make a claim, not in respect of the value of the ship as a ship, but because of its value to him at the particular time for a particular purpose?—Certainly. Ships are built for their special trades. If you had a vessel that was built for the Suez Canal you would not think of trading her regularly across the Atlantic. Ships are built with special construction for all their special trades as a rule. The tramp of course is a different thing.

1067. But the bulk of the Mercantile Marine is not of that special character, is it?—The bulk of the Mercantile Marine I suppose would be the tramps.

1068. In any case, that is really assessing the loss not so much on the value of the ship as on the profits which the ship might be supposed to have made?—I think you could assess the loss of a tramp fairly well. I do not think there would be very much difficulty in that, because there is just the value of so much per ton that covers the vessel. Then, of course, you have to consider the age of the vessel, and her horse-power, whether she is a 10-knot boat or a 15-knot boat, and all that sort of thing. But you certainly would have a great deal of trouble in assessing the values of the different liners and the passenger boats.

1069. You do not think it would be satisfactory to take their cost less an allowance for depreciation, such as you are allowed for income-tax purposes, for instance?—A fixed depreciation of 10 per cent. per annum?

1070. No, 4 per cent., I think?—You must take more than that. I daresay a vessel will depreciate in the first few years 5 or 6 per cent., but when she gets over three or four years old she depreciates more than that.

1071. Ten per cent. on the depreciated cost?—No, the original value. As she gets a little older you must take off a great deal more for depreciation.

1072. That is specially true, I suppose, of the great liners, the great passenger steamers?—Certainly, because they get out of date.

1073. It would not apply to the great cargo steamers, would it?—Yes, I think it would apply to all steamers.

1074. Would it apply to the slower boats on the Atlantic lines, that carry great numbers of emigrants out and come home loaded with grain?—You see these liners now have to be kept up to date so much that really when a vessel gets to 10, 12, or 13 years old, she is practically an obsolete vessel.

1075. What becomes of her?—She goes on, and she is probably sold. The P. and O. generally sell their boats. They have very few old boats in their service now. They keep on building all the time, and they get rid of their old boats.

1076. Would not the frequency of those sales make it fairly easy for a body of practical men to settle a fair price for a vessel of any given age?—No, I do not think it would, because you see when they want to sell these old boats they have to almost give them away for the value of the material. They have to sell them very, very cheaply. The P. and O., as a rule, sell their boats to the natives in India, and they trade out to the inter-Indian ports.

1077. Suppose the State took a payment from the shipowner in return for the indemnity, that might involve the shipowner taking out a policy with the State. In that case would there be any difficulty in agreeing the value beforehand?—There ought not to be. I do not know why there should be. But I think the Government ought to have some expert advice as to whether a man over-values his vessel or not. There are many men who no doubt would over-value the vessels and send them into the most hazardous trade they possibly could.

1078. Do you think there would be any difficulty in the State getting the assistance of experienced underwriters and practical men to act on a Board of Valuation?—I do not suppose there would be any great difficulty. Not that I would suggest it, because I think there are very many troubles that might crop up here. If there is a scheme put forward to get the

benefit and the skill of underwriters, that is the only way I can think of in which the Government would be able to undertake this business.

1079. But the idea you have in your mind, I think, is that the State should be, as it were, a partner with any underwriter who took a war risk, that the State should take a share in any war risk that was underwritten?—Scarcely that. I say here, in No. 10, let the underwriters accept war risks upon such terms as seem to them to be reasonable, and the reason for that is this: it is impossible for the State to accept one risk and refuse another. An individual can do that; he can accept what risk he considers is a fair risk to run, and he can decline another absolutely. That would be an utter impossibility for the State.

1080. But will you explain to the Committee in what way you think then the State might co-operate with the underwriters?—Let the underwriters accept war risks upon such terms as seem to them to be reasonable, upon the understanding that a percentage of their profits be handed over to the Government for the benefit of the taxpayer, in consideration of the Government paying any excess of loss there might be over the premiums received. It would thus be to the interest of the underwriters to conduct the business on as judicious and careful lines as possible, because, if they made a loss, they would receive no reward for their labours.

1081. But what would be the advantage to the State or the shipowner in a scheme of that kind? That would be an advantage to the underwriter, because it would guarantee him against loss?—It might or might not be an advantage to the underwriter. Of course, it would guarantee him against loss. But it is a scheme which I do not put forward; it is only a sort of suggestion. If the State is going to insure war risks, all I say is that that is a suggestion which might possibly be a better one than Government insurance entirely.

1082. But the only possible reason for the State having anything to do with these war risks is to keep the cost of insuring against them at so moderate a figure that the charge will not interfere with our trade. Your suggestion would hardly effect that, would it? It would have no effect upon the rates charged, which might be as high as ever?—No, it would have no effect upon the rates. Certainly each man would have to decide what rates he would charge.

1083. I do not quite see, as I say, where the advantage either to the general trade of the country or to the State would come in?—I do not know that there would be so very much difference.

1084. But you yourself do not press that proposal——Certainly not.

1085. You only put that before us, in case we are determined to have a scheme of some kind, as the least harmful?—Of some kind.

1086. Now I come back to the question of values. We have dealt with the values of ships. Would there be the same difficulties in ascertaining the values of cargoes?—Yes, I think there would be.

1087. In spite of your having access to shipping documents?—I do not know that you would always have access to the documents, would you?

1088. You might demand their production as a condition of payment, might you not?—Yes, I suppose you would, but it would be rather a complicated matter.

1089. They are always accessible, are not they?—Yes, they would be accessible, but do not you think it leaves the door open to fraud a great deal there?

1090. Yes; but again I ask you what protects the underwriter against fraud? Nothing but his general knowledge of the business?—His general knowledge would protect him, naturally, but then you see we must have our declarations made. Soon after the vessel has sailed, or before the vessel has sailed, the bills of lading are sent forward to the merchant on this side. But that would not necessarily be the case in time of war.

1091. But do you ever dispute the value on a bill of lading?—The value would be on the invoice. We have very often disputed the value when we have suspected fraud, but if we do not suspect fraud we do not open the question of value. Having once admitted it, we cannot reopen the question of value very well unless we suspect fraud.

1092. In any cases which you speak of where you have disputed the value, you have disputed the value at the time the insurance was offered to you?—No, we have no opportunity of doing that. It is only when the claims are put forward and the documents handed in. Then, if we have any idea that there is fraud, we can reopen the value, otherwise we cannot reopen the value.

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1093. The proportion of cases where you reopen would be very small?—Quite small, yes.

1094. Generally speaking, the values declared would be rather above the actual values, would not they?—Yes, they would be generally about 10 per cent. over the actual values. Generally it is invoice cost, freight, and 10 per cent. just to cover the expenses.

1095. Speaking generally, you settle claims on marine policies with very little difficulty, do not you?—Yes, I should say generally we do.

1096. They are very complicated documents?—Yes, sometimes they are very complicated.

1097. Complicated by a great many varying interests?—Yes.

1098. But in practice those difficulties resolve themselves for the most part without litigation or dispute?—Yes, generally. We have a regular man to settle our claims, a regular claim settler. All the companies have.

1099. May I take it, therefore, that to an expert the business is really a fairly simple one?—Well, there are so many complications in it that it is never extremely simple. A man who knows exactly his business, I should say, makes it fairly simple. At the same time there are always questions arising, and there is no monotony about it. There is a tremendous lot of variety. We never have the same sort of claim presented twice running, I should think. There is always some difference. We have to deal with so many different commodities.

1100. Is the market for war risks a large one?—Yes.

1101. Of course, in case the British Empire were engaged in war, the amount to be insured would be tremendous?—Yes, enormous.

1102. Could the market take that amount?—I should say it would cripple a great many. If we had a war like that, of course, it is something awful to contemplate.

1103. Would not there be a great number of ships that would have to go uninsured, because the people willing to take those risks had their books full?—I could not say that. The market is so very peculiar. If the men once get hit over the war risks they close their books up at once. If they got abnormally hit, they might very likely take no more war risks.

1104. You would not like to say definitely then that there would be no difficulty in a shipowner getting himself covered for war risks?—If there was a long war I should not like to say there would be no difficulty in it.

1105. I suppose we may take it that the probabilities are that the heaviest losses would come in the early weeks of the war. It would, therefore, be most important to the shipowner to insure in those early weeks?—Yes. I do not know why the heaviest losses should come in the earliest weeks.

1106. I assume we shall not have established as perfect control over the sea as we may hope to do later. That is one reason. Another reason would be that a good deal of shipping might be already on its way, to which we could not convey the information that the Admiralty would give to vessels that had not already sailed?—Quite so, but is not it the general rule among nations that they give the ships an opportunity to get into port after a declaration of war?

1107. I think it is, but not always?—I thought that was rather the rule.

1108. I think witnesses have given us instances to the contrary. But even apart from sailings which had commenced before the date of the war, do not you think it is reasonable to anticipate that the heaviest captures would be in the early weeks?—Perhaps it might be, because, under those circumstances, men would not know the danger they were running. That is the only reason I conceive they would be more.

1109. Suppose war broke out this month, would you think it would be possible to cover the war risks of the whole British mercantile marine without the aid of the State?—Yes, I should think it would; certainly at first, anyhow.

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1110. Even in cases where there were very big individual risks. I have in mind such a case as one of the great Cunarders, for instance, where the amount at stake in the one ship would be something gigantic?—Yes; of course, there would be a very considerable difficulty in covering an enormous value like that, because the value of those vessels is a million and a quarter to start with.

1111. More, I think?—A million and a quarter I think was the contract price.

1112. That company, for instance, insures itself for marine risks?—No; the Cunard insures everything.

1113. There is no difficulty in their getting marine risks covered?—No, no. They have got their marine risks, I believe, done entirely. It is a mistake to suppose that they run anything; they do not. These vessels are subsidised by Government, and I believe the only way they were able to build those vessels was by getting Government aid, the Government accepting a small amount of interest—a matter of 3 per cent., I think. Of course, that is a very exceptional thing. You have hit upon a case there which is very exceptional. I do not suppose there would be more than half a dozen such cases.

1114. Turning to the suggestions made as to the people who should be entitled to claim the indemnity, both in Scheme A and Scheme B, I think it is suggested that that should be confined to the owner of any ship registered in the United Kingdom. Have you any observation on that?—With regard to the vessels registered in the Colonies, do you mean?

1115. Yes?—I cannot help thinking that if any scheme of this sort were propounded I do not see why the Colonies should not participate. There are not very many of their ships.

1116. They might, on the other hand, have their own schemes, or join with the British Government in the guarantee; but the interest, whatever it is, of the United Kingdom is not as direct in the Colonial vessels as in the vessels registered here?—They have very few, I think. There are not so many.

1117. You feel that there are not sufficient to be worth excluding?—I should not think so.

1118. Have you anything to say as regards the owner of the cargo? In the scheme it is suggested that it should be the owner of any cargo liable to capture carried in such ship?—The owner of the cargo, I presume, would be an Englishman, would not he?

1119. Yes. Neutral goods would not be liable to capture, not being contraband?—That is what they say in the Declaration of Paris, but they have been captured.

1120. But always on the ground that they were contraband?—Possibly on the ground that they were contraband, but they found out their mistake afterwards.

1121. Just look at Paragraph 8 in your *précis*, will you? You suggest that you must provide for a particular case with neutrals?—The shipments of neutrals, not being liable to capture under the enemy flag unless contraband, would be restored to them if the captured vessel were taken into an enemy's port and condemned, but that would not be an indemnity for loss of market. You see, if they are taken into port and condemned they are waiting in that port for a very considerable time, and meanwhile the owner of the goods would probably lose his market. But you could not indemnify him against that.

1122. What happens under the ordinary marine policy in such a case as that?—We do not guarantee loss of market at all.

1123. Then there would be no reason for the State to guarantee it, would there?—No, I should think not.

1124. That is a risk which the owner of the goods takes?—Yes.

1125. Against which he does not insure?—Against which he does not insure.

1126. In regard to the alternate Scheme B, of a national guarantee upon payment of a premium, I think you have already indicated your opinion that it would be impossible to fix in advance a premium for all classes of ships?—I should say so distinctly. I think that is one of the greatest reasons against the State taking on the insurance.

1127. That, in fact, any premium which you might fix would of necessity be at once too high for the fast ships and too low for the slow?—Yes, distinctly too low. There is a great deal of difference between the two risks, as one can well imagine. It would never do to fix an all-round premium.

1128. Is there much of the trade now carried on in sailing vessels?—Very little now in comparison.

1129. That is almost entirely a trade round Cape Horn and to Australia?—Yes, round Cape Horn to the west coast of South America. To the Californian ports they also still carry cargoes of grain, because there they have to use the vessels as a sort of warehouse, and they do not want the grain to arrive all at once. Therefore they put it into a ship which is likely to take four or five months on the voyage. But, practically, sailing ships are quite a dying trade.

1130. Practically we need not consider them?—I should think there is no object in considering sailing ships at all; the trade is quite worn out.

1131. (*Sir George Murray.*) Would not most of your objections to a scheme of indemnity be met if all the claims were referred to a small board of experts whose decision was final?—I should say, if you get the right class of men, certainly.

1132. Would there be really very much difficulty in a small board of the right class of men arriving at a pretty accurate idea of the value both of ship and cargo?—No, I am not prepared to say there would be much difficulty about that.

1133. Would not that meet the greater part of your objections to the scheme?—I do not think there would be any objection to that, I must say, but it does not meet the great objection that I have to the scheme.

1134. What is that?—The great objection I have would be to putting all men on an equal footing.

1135. But that is a matter which a board of competent experts would take into account, is it not?—You cannot very well do that after the loss of a vessel.

1136. The only importance of it is in arriving at the true value, is it not?—You are talking about the value now?

1137. Yes?—These men could easily arrive at a value, and a proper value.

1138. I mean we are not interested in what you have described as the moral character of the claimant except as affects the amount of his claim?—Yes. Then I suppose he would have to submit to the dictum of these men, whatever they say.

1139. But would they find much more difficulty in coming to a decision than an underwriter does now?—No, I am not prepared to say that.

1140. (*Sir George Clarke.*) I think you said you considered that no one can judge war risks with any approximation to certainty?—I said it was very difficult to judge war risks, because we have not had very much experience. The experience of any man is distinctly limited, and when we tried to judge them a little while ago we made a serious mess of it.

1141. You pointed out to us that the risk was not only dependent on the nature of the claim, but it also depended on the speed of the ship and the character of the owner. So that you regard the underwriter as an expert in those kind of questions, and particularly as to the character and stability of the owner, but you do not regard him as an expert in judging the measure of war risks?—I think it is open to any man to judge of the measure of war risks. I do not suppose I could judge a war risk any better than you could.

1142. You told us, I think, you expected a great increase of barratry in a war in which we were involved on a large scale?—No, I do not think I said that.

1143. I rather gathered you did expect a great increase?—I do not think I said I expected a great increase.

1144. I think you said something about the opportunities of war being so great and special that they would be sure to be taken advantage of?—By an unprincipled shipowner, you mean?

1145. Yes?—Of course that naturally would be the case. If you got an unprincipled owner he would naturally insure his vessel for as high a value as he could, and then send her into the most hazardous trade.

1146. But that sort of performance would arise just as much whether the State took the risk or the underwriter?—But the underwriter would have a better

opportunity of finding out. I dare say that pretty well every underwriter has a sort of black list of his own.

1147. In the case you mentioned in which the ship is taken as a prize and then lost by sea-peril, would not that be clearly a case of a war loss, the sea-peril being posterior to the capture, and therefore being caused indirectly by the capture. There would be no doubt in such a case as that, would there?—I think there might be a doubt. If she is taken as a prize, and is subsequently lost by sea-peril, I think there might be a doubt as to which policy that would come under.

1148. Is a war risk policy taken out now generally all inclusive?—Yes.

1149. In insuring a cargo to Vladivostock was the maritime risk covered at all, or was it all involved in one policy?—You mean now?

1150. During the war?—Sometimes they were taken out free of capture with one set of underwriters, and then the war risk was insured separately. But in the majority of cases I fancy the cargoes were insured, including the war risk, all under one policy.

1151. I think you told us that not many firms write war risks now, and therefore there may be a real risk that in case of war, with enormous demands thrown on the insurance market, there would be nobody ready to undertake them all?—No, I do not think I said that. I did not say there were many firms not willing to write war risks, because the war-risk market just now is a very large one. But what I said was that if single underwriters got very much hit when a war broke out they would be very apt to close their books and not write any more.

1152. And if the early risks proved to be very serious, and the proportion of losses large, the probability is that the majority of ships would be uninsurable after that?—The probability is that the market would contract.

1153. It would mean that the market would contract?—Yes, it would be a very difficult thing to get everything insured.

1154. You told us there were some neutral ships which had to pay 30 per cent. Might not the premium on belligerent ships, the whole of the cargoes being liable to capture, rise to much more than 30 per cent.?—That would only be in a case of absolute contraband.

1155. No, I am supposing we were at war. British ships with British cargoes in them would be liable to capture. There would be no question of contraband. They would be liable to be seized?—If Britain is at war then the neutral goods in those British ships would not be liable to be confiscated, according to the Declaration of Paris.

1156. But I am assuming a case in which we are belligerents, in which a wholly-owned British ship and a wholly-owned British cargo are captured. That is fair capture, and the risk the underwriter or the Government takes is the risk of that whole amount, whatever it is?—But it is not a fair capture unless it is contraband of war.

1157. Oh, yes. That is a point I do not think you are quite clear about. Enemy's goods in enemy's bottoms?—Yes, I quite understand now. Of course that would be a fair capture enough. There is no doubt about that.

1158. So that if a rate is demanded of some 30 per cent. in the case of neutrals, where there is some little doubt in their favour, rates might rise above 30 per cent. in the case of British ships?—With regard to cargoes in neutral bottoms I do not think it would be 30 per cent.

1159. Then you think these rates for colliers were special?—They were distinctly special.

1160. Supposing there were a system of purchased guarantee on a percentage of the values, would underwriters generally be prepared to act as agents for the Government in issuing such policies on commission?—That I do not know at all. I have not consulted my colleagues with regard to this. If the State has got to take up this matter it is simply a suggestion that might possibly commend itself. I am only speaking for myself entirely.

1161. If there were any system of that kind, any sum to be paid for the purchased indemnity, of course the value of the ship would have to be assessed first before the thing was issued?—It certainly should be.

1162. In that case would the same system which is adopted for maritime risks now be sufficiently trustworthy?—I should think so.

1163. You think that what is now adopted for maritime risks is generally a fair assessment, and it approximates closely to real values?—Yes. I dare say it is somewhat an undervalue, but still, I think it is a fair estimate, and if an underwriter accepts a risk he generally looks at the value. That is one of the distinctive features of the risk.

1164. It is an assessment which the Government might accept as a fair estimate of the value of the cargo in issuing a purchased indemnity?—True, but if the Government is not going to undertake this risk for the first few years it would not be a fair assessment of the value of the vessel, because that vessel is deteriorating every year.

1165. Would it be a reasonable thing for the Government to demand, before issuing a purchased indemnity policy, that the ship was insured with a reputable marine insurance company?—Yes, I should think so.

1166. If that were done you could fix the value for the Government?—Certainly.

1167. Any difficulty on that score would then disappear?—Yes.

1168. I gather you do not expect any great disturbance of trade resulting from high insurance rates in the first few months?—Yes. I certainly think there might be quite a serious disturbance.

1169. Then you would admit that if it is possible for panic or a great disturbance of British trade to arise in the first few weeks of war, any system which might tend to avert that risk would be of advantage to the country at large?—Yes.

1170. You think that would be an advantage?—I think it would.

1171. I gather your main objection to any State system is that the risks would be unequally distributed. That offends the principles on which you have acted all your life, and that seems improper to you?—Not only would they be unequally distributed, but I think it would be distinctly unfair to put all men on the same footing and all steamers on the same footing, too.

1172. But looking at it from the broad national view, if it was not a business at all, if the State did not care about losing a certain amount, and did not want to make any money, looking at it simply from the national point of view, you think it might operate as a means of checking panic arising out of war insurance rates at the outset of war?—Do you mean to say in consideration of the limited market which might occur?

1173. No, in consideration solely of the fact that the shipowner and the cargo owner then know that there is a certain maximum which they have got to pay, and no more, to get indemnity?—Yes, that might suit them very well. I dare say it would.

1174. Then what would happen would be in all probability that the State premiums for purchased indemnities would hold for the first few months of war, and then the underwriters would come in again when the rates began to fall, and the State insurance system would quietly die?—Of course I cannot say. So much would depend upon the conditions. So much would depend upon what has taken place in the first few months of the war.

1175. As the Navy began to assert itself, and as the risks to an enemy's ships at sea became greater, so would our risks at sea become less, and so we should hope to come down to the normal, and then be able to drop the system?—You mean in the case of the partial annihilation of an enemy's fleet?

1176. Yes?—Then naturally the premiums would come down, but an underwriter would take into consideration the whole time.

1177. I gather on the whole you rather think it would be advisable that something should be done to check the possibility of panic at the outset of war?—No. I think the shipowners and the merchants can take care of themselves very well indeed. They have got a market to insure them against this sort of thing, and I do not think there is any reason for the State to step in at all.

1178. But assuming war broke out to-morrow, with all the immense number of ships that might want to be covered, would there be anybody to take them up.

Mr. R. B. Lemon.

5 Mar. 1907.

Just think of the enormous amount?—It would be an enormous thing; but I think they would manage it at first. But, as I say, if many ships were lost, there is great possibility of the market becoming limited.

1179. So that from that point of view any State system which was reasonable would be a gain?—From that point of view certainly, if the market is to become limited; but I do not say the market would become limited. It is only in the event of serious captures taking place in the commencement of the war.

1180. (*Mr. Beauchamp.*) With regard to the moral hazard to which you have alluded, if the shipowner were only paid the actual value of his ship there would be no inducement to him unduly to hazard her, would there?—The only inducement would be for a man to get rid of his ship if he wanted to get rid of it. That is what I mean by the moral hazard. A man might be anxious to sell an old worn-out vessel which he finds he cannot sell, and therefore he puts her into a hazardous trade, and tries to get rid of her by insurance.

1181. But if it was limited to the true value of a ship there would be no inducement?—The true value of a worn-out vessel, as you know, is very, very small, £2 or £3 a ton; but a man can very readily insure his boat for £6 or £7 a ton. If he gets an insurance of that description possibly it would not be unreasonable, although the actual selling price of the steamer is so very much less. It might not be unreasonable to insure a man for £6 a ton, and then he would get rid of his vessel to the State in that way.

1182. I am not looking at the question of paid insurance, but the question of indemnity. If there were indemnity without payment the shipowner would only be able to obtain the actual value of his ship?—Yes; but how are you to ascertain the actual value of that ship? That is the only thing. At a forced sale that ship would be worth nothing.

1183. We are told it would not be difficult after the loss to ascertain the actual value of the ship?—No, I do not think it would; but when you put a question to me like that I naturally look at the forced sale of a vessel. If a man put his ship on the market to sell he probably would not get more than £3 a ton. Any expert would be quite justified in putting on a vessel like that, in a money-earning capacity, a value of £5 a ton.

1184. But in this particular case I am looking at it on the question of indemnity; the man will not know beforehand what value he is going to get. It would only be that after the loss he would get what was considered to be a fair value for his ship?—Then in that case, I think, the moral hazard is a very great one, because the man who wants to get rid of his ship would feel that if the vessel cannot carry out its charter it is no use to him, and he would sooner sell it to the Government or to the underwriter.

1185-6. I do not think you quite follow. He would only get the actual value, and would not know beforehand the value which would be put upon it, and therefore he would not unduly hazard or risk his ship?—I think a man who is not very scrupulous would very probably want to get rid of his ship if he got a fair value for it.

1187. (*Chairman.*) Your real difficulty is, is it not, that you are unable to attach a definite meaning to "the actual value of the ship"?—That is so. It is the most difficult thing in the world. If you have a forced sale you never know what a ship is going to fetch.

1188. And yet its real and true value to its owner at a given time may be very much more than he could sell it for in the market on that same day?—Certainly.

1189. (*Mr. Beauchamp.*) Then you think that at the outbreak of war, before any captures have taken place perhaps, the rates of insurance would be fairly high, supposing we were at war with a great maritime nation?—Yes, I should think they would be.

1190. Have you thought out at all what the premiums might be on different voyages when we were at war with different nations? For instance, supposing we were at war with France, what would you consider would be a fair premium from an underwriter's point of view from the Black Sea to this country, passing right through the Mediterranean?—I think that would be a very serious risk indeed, because then you get the whole of the French Navy probably concentrated in the Mediterranean, watching the Straits of Gibraltar for the ships to come through. I think that would be a most serious risk. I should say there you certainly would have to pay quite 25 to 30 per cent., unless you knew for a fact that the French fleet was elsewhere engaged. Of course, it is very difficult to say what premium should be charged when you do not know any of the conditions or any of the circumstances, I do not see how a man can.

1191. No, but we have been told by other witnesses that the premium would not be high?—I think on a voyage of that description the premium certainly would be high.

1192. Supposing we were at war with the United States, do you think that the premium on a British vessel from Canada would be high?—The United States has not got such a very big navy. I do not think the premium would be so high there. Besides, it is a very much wider scope, it is a bigger area; you have more chance of escaping there.

1193. Could you give us any idea of what you think the premiums might be?—I should say the premium there would probably range from 8 to 10 per cent.

1194. And similarly if we were at war with Germany what do you think would be the premium on vessels coming across the Atlantic, especially if we knew that two or three of their very fast vessels happened to be in the Atlantic at that particular moment?—The premium there would certainly be 10 per cent.

1195. (*Chairman.*) Would it be an equal 10 per cent. for both ship and cargo?—Oh, yes, I think so. I do not think there would be any discrimination made between the ship and the cargo.

1196. Therefore it would be 10 per cent. for the voyage?—10 per cent. on the voyage; but, of course, it is very difficult to say.

SEVENTH DAY.

Tuesday, 12th March 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. RAYMOND BECK, called and examined.

Mr. R. Beck.
12 Mar. 1907.

Mr. Beck, in a preliminary memorandum,* had submitted:—

(1) That, owing to the restricted nature of the market for war risks, it is desirable that, in time of war, the State should undertake to make good to shipowners and cargo-owners the losses incurred through capture.

(2) That even a few captures in the early days of war would raise premiums to such an extent as to cripple commerce.

(3) That any scheme for the issue by a State Bureau of policies of insurance at a fixed or varying premium would be unworkable.

(4) That, although compensation should be allowed, it should, if possible, be accompanied by levies from ship and cargo-owners.

(5) That all vessels taking advantage of the indemnity should be subject to Government orders as regards detention and routes and abandonment of voyage.

(6) That values should be determined according to the conditions laid down in Scheme A, Sec. IV., Sub-secs. (a) and (b).

(7) That the scheme of indemnity should come into operation simultaneously with the outbreak of war.

1197. (*Chairman.*) You are, I think, an underwriter?—I am.

1198. A member of Lloyd's?—Yes.

1199. Have you formed any opinion on the desirability of a State indemnity for risks of merchant shipping in time of war?—Yes, I have.

1200. Would you tell the Committee what it is?—I have formed the opinion that a State indemnity is very desirable, and is preferable to the other scheme which you mention in your schedule, of insurance. I do not know whether you wish me to go into the point as to whether it should be coupled with payment or not.

1201. We will come to that later. To begin with, perhaps you would tell me why you think a scheme desirable?—I am of opinion that in the event of the outbreak of war the present market for insurance of vessels and cargoes against war risks would shrink up. I am of opinion that prior to war, in the case of rumours or anything of that sort, there is a very large market, but after an outbreak, and in the probable event of captures, which I have reason to think would take place immediately, that market would almost entirely shrink up, and the few underwriters or companies engaged in the business would put the rates up to an absolutely prohibitive amount for the carrying on of commerce. The only way I can see to avoid such a catastrophe as that, would be for the commercial world to know that there was an indemnity which would come into force automatically with the outbreak of war.

1202. At the present time the market for war risks is a small one, is it not?—No, it is large now. In time of peace, or comparative peace, it is unlimited.

1203. But when a war breaks out, even a war in which we are not engaged, the number of underwriters who will take war risks is comparatively restricted is it not? It was so in the Russo-Japanese War, for instance?—It was not restricted until a certain zone was located, as hazardous. Outside that zone it was unlimited, but when it came to the pressure point of dealing with the hazardous zone, the market shrivelled up very quickly.

1204. That was a zone in which the risks were very great indeed?—They became during the course of the war hazardous. I should say on that point that until the captures were made the market was fairly large for it. The underwriters took the view that it was just possible there would not be any captures. But the moment they were face to face with the imminent danger of serious loss the larger number cut the risk out of their books.

1205. Was that condition of things comparable to what you can suppose in the case of our being at war with a great naval power?—Yes.

1206. I put it to you that the zone of which you speak was really a very limited zone?—Very.

1207. Through which ships were bound to pass to a very limited number of ports?—That is so.

1208. And that that makes a wide distinction between the circumstances of that time and the circumstances that would arise if we were at war, with our large coastline and our many channels of communication?—You mean, Sir, that it would be possible for this nation to exist, ignoring the claims of shipowners and cargo owners for protection?

1209. I was looking at it rather from the point of view of an underwriter, and what I was suggesting was that in the Russo-Japanese War practically all the risks were bad risks, because there was only one channel of approach to Russian ports. They were blockaded ports, and there was very little chance of the ships getting through. We cannot conceive of the same state of things being repeated in a war in which we were engaged. It might apply to ships coming from the Baltic, but it could not apply generally to all the commerce?—Not to all the commerce, but could not it apply to exactly the parts you name? For instance, would it not be possible that in the event of a sudden war, which I imagine you contemplate, if for instance the North Sea was temporarily held by a foreign power, we should then have many millions at stake in the Baltic. I am speaking of underwriters and shipowners, and my opinion is that from that moment the war risks on that portion would become certainly uncoverable at Lloyd's, except at enormous prices. The underwriters

* *Vide* note, p. iii.

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would be face to face with at any rate a very severe hazard of enormous loss. They could not engage in any further liability. If I might say so, you perhaps think of restricting that entirely to the Baltic, I think it is possible on an outbreak of war the enemy might be in a position to temporarily seize the routes from Australia.

1210. Through the Mediterranean?—No, more in respect to the sailing ships. It is just possible that a small fleet of vessels might start from Swakopmunde and attack a route where there is a continuous trail of steamers. The fact of one or two captures there at the beginning of the war would entirely shrink the ordinary market for war risks. I only name that port as one.

1211. So that your view is that the market in war time would be altogether unable to deal with the volume of risks that would be offered to it?—It would, unless you eliminate the routes, or portions of routes, which from time to time become hazardous. If this Commission said, "We shall be dealing then with a national affair, and all we want is to get food into the country, and let the shipowner and the cargo owner go rip," we could deal with it, because I never for one moment anticipate the fact that there will not be many routes open in which the ordinary rates of insurance, owing to convoys of your fleet, would be, I put it, ½ per cent.

1212. But in the kind of cases you mention you think it would rise to 20 or 30 guineas?—Yes, I do.

1213. And it would be difficult to find underwriters to take the risk at that rate?—You could not place sufficient even at those rates. There would be only a few groups who would go into it.

1214. Assuming there is to be such a scheme, we have to consider whether it should be a free indemnity or whether it should take the form of a purchased indemnity or insurance. Will you give us your views on that alternative?—I think I may dismiss from my mind the possibility of purchased insurance, for two reasons: firstly, that you could only begin to sell insurance after the outbreak of war, which would be too late; and, secondly, that when you were offering, through a bureau which might be opened in various places, to sell insurance, it would come to this—that when, we will say, the adequate premium for the risk was anywhere between an eighth and a quarter per cent., Lloyd's and the insurance companies would be taking it under, and it would be only when those risks became worth two, three, 10, or 20 guineas per cent. that the man would go to your bureau and buy it for an eighth or a quarter.

1215. I gather that you do not think it is impossible to impose something in the nature of a registration tax on shipping which would accumulate a fund for dealing with these war risks?—I think that is more a question for the shipowner. I am afraid as an underwriter I could not give an opinion on that.

1216. If the State fixed a premium in war, varying with the risk, the difficulty you have just mentioned would not arise, would it?—I think it would be very difficult for the State to employ underwriters for them to gauge the risk from time to time. I think it would be almost impossible. I think you may take it that the Lloyd's underwriters and the companies are most excellent judges of a risk.

1217. Even of a war risk?—Yes, even of a war risk.

1218. They have very little to guide them in what that war risk is, have they?—Very little; but I think I would submit that their opinion would come out extraordinarily right. It came out extraordinarily right in the Japanese War.

1219. In the long run?—In the long run. In fact, all the way through I should say that the risk was exactly sized up by the underwriters. The unexpected happened, and they turned out losers instead of winners, but the chances were accurately gauged. I am speaking of when the risks rose from ½ per cent. to 30 guineas.

1220. What you mean is that 30 guineas accurately represented the risk in the new circumstances?—Yes, accurately.

1221. But they were wrong in starting at a half per cent., or at a very low figure?—No, they were quite right there, because rates were only moved as conditions changed. That was the point. If I might give an instance, in the early part of the war colliers were insured at half per cent. from this country to Japan. Several were stopped in the Red Sea by Russian vessels, and let on. The underwriters, who had been informed from authorities and books about the rules of warfare, said, "Oh! of course they let them on; they had no port to take them to," and we continued for a time to write those. But as the war got more acute, and Russia became very much pressed and very much down, she did not wait to comply with these charming restrictions which were made by Law Lords; she sank the vessel first and went on. So these premiums were accurate, because in the first instance Russia did follow out the written law of nations, and when she found she could not take the steamer into a port she said, "We cannot sink it; we must let it go." Three colliers were stopped in the Red Sea in the early part of the war, and were released. In the latter part of the war, if the same vessels were sighted they were sunk. The conditions changed, and the underwriters appreciated the change in the conditions sufficiently to change the premium.

1222. Therefore, in your opinion, nothing in the nature of issue of a policy of insurance by the State is possible? Would that exclude all forms of contribution by the shipowner?—No. I should like to put that more on to the other scheme of indemnity coupled with payment, which I fancy you have got there.

1223. Yes. Perhaps you might take that point now. Would you explain to us your idea of the form which a contribution from the shipowner is to take?—I should like to see inaugurated a system of indemnity by the State which would come into working automatically with the outbreak of war with any nation. It must be, of course, coupled with absolute restrictions as to what the shipowner does with his vessel if he is going to take advantage of it; he would have to come and register under your scheme. As regards all vessels homeward bound, which is the most important point in my opinion, I see no reason why every vessel safely convoyed into port—*i.e.*, every vessel that has passed through a hazardous zone under Admiralty orders, or has deviated *viâ* a route patrolled by our fleet or in British control, should not contribute a tax of one per cent. on hull and cargo. It would be absolutely no hardship on the shipowner. Freights would have gone up naturally with the greater difficulties of business, and one per cent. on the ship would be nothing as compared to his extra freight. One per cent. on a cargo of grain or meat would, in my opinion, not exceed the ordinary wastage that goes on in time of peace and prosperity.

1224. You speak of that payment being made in return for convoy. I suppose we must contemplate that under present conditions convoying in the old sense would probably not exist?—I should have said that the vessel must be registered and have complied with the conditions. It might be a voyage which required no convoy, but the shipowner would have to comply with those conditions, and having arrived in the port of London or Liverpool, having complied with the conditions, then a duty would be taken from him.

1225. Would you compel a shipowner to pay that tax and take that indemnity?—No, I should not.

1226. It would be an option?—An option.

1227. Then, *pro tanto*, the difficulty you spoke of just now would still exist. Where the rate in the market was less than one per cent., the shipowner would not take advantage of the Government scheme, but would go to the underwriter?—For that purpose he would.

1228. So that the underwriter would have the best of the business and the Government would have the worst of the risks?—I would not say that there should not be from the outbreak of war some tax. When I alluded to a half per cent., it was a rate which I put on for having engaged on a route on which there was some special convoy.

1229. (*Sir George Murray.*) Would the shipowner declare beforehand or afterwards?—I think he must declare beforehand.

1230. (*Chairman.*) You think he must give notice of each voyage?—Yes. You are, of course, aware—I do not know whether this is irrelevant, you will stop me if it is so—that the loss which occurred to underwriters in the war we have just had was owing to the shipowner insisting, so to speak, on proceeding with the voyage, almost persisting in capture, if I may put it so. That, in my opinion, should be the one main thing

guarded against by the State under any form of insurance or indemnity. Government must have the right to even insist on the abandonment of the voyage.

1231. It would not be, therefore, an absolute indemnity, or a universal indemnity, which the State would give under your scheme; it would be an indemnity for certain voyages only, perhaps for the bulk of the voyages, but excluding certain voyages which the State would consider too risky to be undertaken?—Yes. After a time it might be that the State would say to the shipowner, "We will not indemnify you if you load your ship to go there. That portion is temporarily in the hands of the enemy."

1232. It might possibly be the case that at the outbreak of war the State might say, We will insure no ship through the Mediterranean. Have you contemplated a possibility like that?—I have, but I want to be quite clear that on the outbreak of war every shipowner has the right to come and be insured.

1233. How do you reconcile that unqualified right on the part of the shipowner with the security which you think it necessary for the State to take against having ships thrown away on certain losses?—Because I think that the State must so far protect the shipowner as that if his vessel happens to be in a hazardous zone at the time, for the good of commerce, you must see him through. But if, for instance, he was on a voyage to the Mediterranean, and was going across the Atlantic, where at the moment you knew there was a dangerous zone, you should stop him at Gibraltar. But you must not deny him an indemnity because he happened to be on that voyage. From the moment you take him over he has to come under your advice.

1234. That means that in your opinion it is essential that the State should cover the risks of voyages begun before the outbreak of war, whatever they are?—Whatever they are, yes.

1235. But you would be prepared to see the State thereafter, in regard to new voyages, refuse any indemnity—I take this only as an illustration—to a ship going to the Mediterranean?—Yes, temporarily.

1236. Possibly for some weeks, possible even for a month or two?—If the Mediterranean was in the same position as the Japan Sea, patrolled by the enemy, if such a thing was possible, I should say that the State ought not to give guarantee to a shipowner who would bring his old vessels out of dock and ship them away to the Mediterranean for the purpose more or less of being captured.

1237. You are no doubt aware that in the old wars, in the great French war for instance, there were a good many British ships captured with the goodwill of the owners. It was in fact, I think, a method of trading with the Continent in spite of the Berlin Decrees and the Orders in Council. Do you think the power of the State Department charged to make regulations forbidding particular voyages, would be sufficient to protect the State against fraud of that kind?—I think it would go a very long way. I could not say whether it would absolutely stop the practice. They are very cunning.

1238. It has been suggested to us, by one witness at any rate, that a shipowner never makes such a good venture as when he loses his ship?—That is so.

1239. Will not the temptation to him to lose his ship be even greater when he pays practically no premium for it?—No, because the indemnity which I should suggest the State should offer is purely for the arrived market value of his ship, whereas when he goes to individual underwriters he is able to insure for any value he likes. If I may say so, that was a lesson learned by the underwriters in the late war, that they did not sufficiently look into the fact that if a man had a ship valued at £20,000 they would insure it for £30,000. I need hardly say it was a better market in the hands of the Japanese than at Vladivostock waiting for cargo.

1240. You would fix the value at the value of the ship and cargo arrived at its port of destination?—Yes.

1241. That would include the ship's profit, therefore?—Yes, the freight and cargo.

1242. Which might be very high, I suppose, in time of war?—Yes.

1243. How would you estimate that value if there had been a loss?—Mr. Lindley could tell you that. It is quite possible to ascertain value in all cases of accident. I should suggest the same methods would hold good.

1244. In ordinary cases that question does not arise, does it, because you take the policy value and you do not dispute it?—Yes, but that question crops up in an enormous number of cases in what we call general average; if the vessel is not totally lost it is necessary for the purpose of adjusting the claim to ascertain those values, and they appear to be arrived at equitably.

1245. Do you yourself know how they are arrived at?—No, I do not know how they are arrived at. We leave the question to the average adjusters. In the cases I am speaking of we have put before us for the settlement of the claim the value of the ship and the freight and the cargo, and those are what are called arrived market values. The underwriters, or the claim settlers of the companies are very shrewd in at once detecting if there is any discrepancy. I feel sure the State could employ a similar bureau which could arrive sufficiently near to the value.

1246. Do you have in those cases to settle the value of the ship and the cargo independently of the declared value in the policy?—Yes, it is altogether different. Perhaps I could put it more clearly by saying that the value of those vessels would still be made up if there was no insurance of any sort. For the purposes of the shipowner dealing with his cargo owner in the event of a vessel on which neither hull nor cargo was insured, these values would have to be made up.

1247. And in your experience that does not lead you to much litigation or dispute?—No, none practically.

1248. Would it surprise you to hear that we have had evidence from underwriters and others urging that it is impossible for the State to find any satisfactory method of arriving at values?—It would.

1249. You see no reason for that conclusion?—No, none.

1250. Either in regard to the ship or the cargo?—Either in regard to the ship or the cargo.

1251. You have had before you, I think, the Schemes A and B that we have put out as a basis?—Yes.

1252. Would the definition of values given under Paragraph 4 of Scheme A, the value of the ship at the time of capture and the value of the cargo at the destination, be the values which you think ought to be paid?—They would.

1253. In regard to cargo, you observe that that would not give the owner of the cargo his expected profits. It would give him his out-of-pocket loss, but not his profits?—Quite so.

1254. From something you said earlier I thought you held that he ought to have his profit too?—The cargo owner?

1255. Yes. You spoke of the value delivered at its destination. I thought you meant that to include the profit on the sale of it?—I did not mean that. I meant the value exactly as written here on B and under Scheme A.

1256. You have already told us that the scheme of indemnity must come into operation immediately on the outbreak of war?—I wish to make that my strongest point.

1257. And to cover all ventures begun at that time?—Yes, quite.

1258. I suppose you would go further and say that it must also cover the return home of ships in foreign ports at that time. Take a particular case. Suppose we were at war with a Mediterranean Power, and that there were ships loading in the Black Sea, it might be a very hazardous risk for them to come home through the Mediterranean. What would you do with those ships loaded but not actually started at the outbreak of war?—I have not sufficiently had my attention drawn to that point. We are speaking rather hastily, but I should think that that would be a matter of the State paying for detention, but certainly not promising indemnity to the owner if he put to sea in the face of the enemy.

1259. Do you contemplate the State giving a guarantee against detention or demurrage as well as against loss?—Yes, I should.

1260. Is that a risk habitually insured against in

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Lloyd's policies?—It is only insured against under the war risk, I think. The ordinary policy, which is free of capture, seizure and detention, does not pay demurrage, but we should pay if the risk were included in that under the word "detention."

1261. (*Mr. Lindley.*) Demurrage is never paid?—But does not demurrage become detention in time of war?

1262. No, that means detention of the ship?—Then I should like to withdraw that as regards the word demurrage. I thought the word detention in time of war would include demurrage. I should say in answer to your first question that the owner should be compensated for being obliged to leave his vessel in a port. I do not know what the proper word for that would be.

1263. (*Chairman.*) You mean obliged in the sense of his being directed by the Admiralty to do so?—Because he is directed by the State, to whom he is looking for indemnity.

1264. That would make a very large extension of the State's risk, would it not?—I think it would.

1265. Have you formed any idea of what the risks of the State might be in a great European naval war?—I am afraid not. It is absolutely impossible to arrive at it.

1266. Is there anything you could add that would be useful to us from your experience in regard to the lessons that underwriters have derived from the Russo-Japanese war?—I should like to suggest in the first instance that the principal lesson we learnt was that all possibilities or probabilities based upon the past were absolutely fallacious. They led us astray. After all we have read and been told by experts of the small amount of harm done by the "Alabama," which was held up as the great test case of a vessel preying on commerce, I beg to suggest that in my opinion no captures would be made in the future by a vessel of that sort. They would be made only by a war vessel of some sort, kept in absolute wireless communication with the mainland. No vessels would put to sea to roam about where they might not ever come across a vessel at all. They would be only placed in positions where they would be in wireless communication with either their battleship or their base on the mainland. They would be actually informed when to come home, and when to come out, and where vessels were, with the result that instead of searching the seas without seeing a sail owing to ill-fortune they would simply net in everything. That is the principal lesson for underwriters, in my opinion. Secondly, there is the matter which we have already touched upon, the certainty that the capture by the enemy would be looked upon as a very useful market by shipowners, and must be guarded against.

1267. Must be guarded against by restricting the indemnity to the value of the ship without any profit?—Yes, quite so. There would be plenty of profit for the shipowners out of their vessels which bring in successful voyages, for them not to feel hardly used when on one they only get the absolute market value.

1268. Would you be inclined as a further check to give them something less than the value, the value less, say, 5 or 10 per cent.?—I did think of that, but I rather fear it would check enterprise, which we want to encourage. We want everybody to do all they can to carry, and I think that would rather check it.

1269. There is another point I would like to put to you. Take our grain trade for instance. At the present time a very large proportion of the cargoes coming into this country are foreign owned?—Quite.

1270. They are foreign owned up to the moment of landing, I think. Have you considered what the effect of a State indemnity would be upon that trade? Would it not result in those cargoes being transferred to British ownership at their port of loading instead of remaining under foreign ownership until they came to their port of landing?—I think it would.

1271. That under international law would render them liable to seizure?—Yes.

1272. They would not be liable to seizure if the trade was carried on in its peace conditions?—That is so. We should have to face that. I take it the object you have in view is to check in no way, say, in the grain trade, the amount of grain that is shipped.

1273. I will put a particular case as an example. Suppose an American owner shipped wheat to Liverpool in a British bottom, and it was seized by a vessel of the country with which we were at war. It ought to be released, according to the principles of international law. Under present circumstances you might assume that the American owner would put his Government in motion to assert his rights and recover his property. If we had an indemnity of this kind would it not be much simpler for both him and the American Government to come against our indemnity rather than to go against the wrongdoer?—I do not think for one moment any American shipper would ship on the pure chance of getting it out of the wrongdoer. The eventual getting it back from the wrongdoer has proved to be a very doubtful procedure.

1274. In any war that we can conceive of ourselves being engaged in, the rate of insurance on American-owned corn from America to this country would be very small, would it not?—If we had command of the North Atlantic.

1275. Even if there were the possibility that some enemy's cruisers were trying to destroy commerce, that would be still a risk insurable at a very small rate, would it not?—I should think somewhere around 1 per cent.

1276. But why would not the American continue to ship under those circumstances? A 1 per cent. rate of insurance would not frighten him, would it?—You mean that he would insure?

1277. Yes?—If he could insure he would. It would not interfere with his trade at all. But I thought we were assuming that his only chance of getting it back if he took it himself was out of the enemy.

1278. That was not quite my meaning. Whether he himself had the benefit of his recourse against the wrongdoer, or whether that was transferred to the underwriter, was immaterial for my point. I assumed he would insure. But my suggestion was that it would be much better for him to recoup himself by the indemnity—that is, by selling the corn to a British subject on the other side of the Atlantic, that he would make the sale on the other side of the Atlantic, the British subject would take the risk, and therefore under an indemnity the State would take the risk. It might become good capture then, whereas had it remained in American ownership it would have been bad capture?—I am afraid I do not quite follow you there, because I cannot see under what possible circumstances it can be bad capture for a neutral State to ship grain to us. It would become contraband of war at once.

1279. It ought not to be?—But it would.

1280. Unless it were being sent to feed troops or to victual a fortress?—How could you decide whether it is going to feed the army or the populace?

1281. Do you not think that the interests of American producers might cause, for instance, the Government of the United States to take a rather strong line on that point?—My idea is that they would continue to ship as long as they could insure at a reasonable rate, and that would be outside the bounds of this Commission altogether; it would be American property coming here. But if the state of affairs got so acute that he could not get his own insurance, it would be very much the best thing for him to be able to transfer it to Britishers, who would get the State indemnity. I think that is what we want to arrive at. We want to encourage foreigners to ship as long as they can, but to have this indemnity ready at the moment when, owing to terrible losses to underwriters in other respects, it is possible that the whole insurance world might be wiped out. I hope they will not be.

1282. You clearly contemplate that the State should give its guarantee for both ship and cargo?—Yes, clearly.

1283. All forms of cargo, or necessities only? Have you considered whether any distinction should be made?—I had thought of it, but I was unable to arrive at any line I could draw between what would be necessities and the reverse. I think that would be a detail which should be considered. I have not any strong views on it. I did think of it, but I could not arrive at a point where you could draw the line.

1284. (*Sir George Murray.*) How far would you regard it as essential to the working of a scheme of

indemnity that the shipowner should give previous notice of his intention to avail himself of it?—Unless he gave previous notice I do not see how it would be possible to keep him under the directions of the admiralty. For instance, if no notice was necessary, the vessel might sail through the Mediterranean, and if she got through nothing would happen, but if she were captured, he then cannot come and say, "I want indemnity." He has done the very thing we want to avoid.

1285. But you might have a system of issuing general notices, which the shipping community would read and pay attention to, without their actually announcing that they were coming under the scheme?—You could have it, but I see no objection to their coming under the scheme.

1286. The difficulty I see is that I suppose, if they gave notice, that would be accepted in some form or other, or do you contemplate a simple notice addressed to the Government Department at home?—That is what I should suggest—a notice that they wished to come under the scheme, which would imply that in the event of any one of their vessels being on the verge of a zone that has become hazardous during the course of a war, they would have to stop. They could not proceed into the enemy's mouth, and be captured and get indemnity.

1287. Would they do anything more than give notice? Would you insist upon any particulars of the value of the ship or the value of the cargo?—I do not think it would be necessary.

1288. Because you see no difficulty, when the claim arises, in settling the value of the ship and cargo?—No; I do not see how you would always please the shipowner, but I see no difficulty in arriving at an equitable value.

1289. How would you deal with vessels in foreign ports at the time of the outbreak of war, or on the sea?—In port at the time? Not on a charter?

1290. Either in port or on a voyage?—Those which were on a voyage I should say certainly must be seen home.

1291. You mean they would get an indemnity without giving notice?—I presume that this scheme would be well circulated among all shipowners as soon as it was complete, and that it would be their duty at the moment of the outbreak of war to send in their vessels. They could perfectly well do that. You mean the first news might be the sinking of a ship?

1292. Yes?—I think that would have to be provided for. The war might be begun, and I should think it is very probable, by a raid on merchant vessels.

1293. There would be many cases of ships on long voyages, three or four weeks, perhaps, from home?—Quite so.

1294. And those you would bring under the scheme without any notice at all?—Yes, I would bring home everything at sea.

1295. (*Sir George Clarke.*) I think you advocate a State system, and you regard that State system as essential?—I do.

1296. To keep our commerce going in time of war?—I do—absolutely essential.

1297. And you think the scheme, whatever it should be, must come into force on the outbreak of war?—I do.

1298. I gather that you think that if it did not come in disturbance would arise when it became evident that war was imminent?—Yes; it would prevent that. The knowledge that the scheme was afloat would prevent the constant panics.

1299. If there were any uncertainty as to the period in which the State system came into force, that would be injurious to shipping?—Yes.

1300. Do you know whether, at the time of the Fashoda incident, war risks were very heavily insured?—I have reason to think they were very heavily insured, but I had no personal interest in it at that time. I cannot give evidence on that point.

1301. But it is probable they were?—Yes; and very largely, no doubt.

1302. I think you rather advocate that the shipowner and cargo-owner should pay something, but you do not advocate the State going in for insurance in any form?—No. I see such great difficulties as regards any form of insurance. Therefore I put this scheme on one side in favour of the indemnity, and the indemnity, if possible, to be coupled with payment.

1303. You think, as a principle, the indemnity should be purchased or paid for in some way?—Yes, I do.

1304. Supposing that the State did not go in for insurance business in any form, but merely fixed a schedule of rates, varying in different zones, that would not be insurance from your point of view, but it would be insurance from another point of view. There would be no variation, but a fixed schedule of rates to operate right through the course of the war. Do you see any objection to that?—I am thinking that is getting very near insurance.

1305. No; because insurance, as you explained to us, varies according to the news you receive, and may go up and down every day. It is a fixed schedule. You know before war breaks out what it will be, and it remains in force throughout the war. The difference seems to me to be vital?—I cannot for the moment see upon what possible basis such different rates could be fixed, because it is only the course of the war which relieves one portion and makes it a half-a-crown risk, and the next week or the next day it is a 30-guinea one.

1306. But the State is not to make money out of it, and only hopes to get a fair return. It is not a business for the State?—I should be of opinion that that was not a good method of getting payment.

1307. Why do you think so?—Because I think the rates fixed for various voyages or zones at the commencement of war become unreasonable.

1308. That would not be the point, you see. The State is only doing this in order to get rid of the grave dangers which you foresee. The State is therefore performing a beneficent operation, for which it wants to get some return, but which it does not expect to get necessarily entirely covered?—I should not be in favour of that method.

1309. Supposing an indemnity of that kind were in force, do you think underwriters would act as agents for the Government, on commission?—I do not think that would be a good scheme. No, I do not think they would.

1310. You contemplate, I think, that all British ships and all British cargoes should be entitled to any advantage which the State gave, whether they traded between British ports or between neutral ports?—Certainly.

1311. I think you told us that ordinary insurance ships and cargoes are sometimes insured above their real value?—Yes.

1312. Is there any difference of treatment between ships and cargoes in that respect?—I should say our experience would teach us it applies more to the hulls of vessels as against the cargoes. It is always perfectly easy to arrive at what the value of the cargo is. The invoices of purchase can be secured, and the various documents, and the exact value, with a reasonable profit, ascertained. But the value of the hull is a more difficult question to arrive at.

1313. But the underwriter can know generally if the values have been overstated?—Yes; if he gave sufficient attention to the point he could arrive at it.

1314. Supposing there were any system of purchased indemnity given by the State, could the State take the values of the marine insurance of the ship and cargo as sufficiently satisfactory for the basis of the purchased insurance?—No, I should say not.

1315. They would be too big?—They might be too big.

1316. It would not then be a fair standard of value?—In my opinion, not.

1317. I suppose policies of insurance are used invariably as securities for raising money?—Invariably.

1318. Therefore, whether there was purchased indemnity or free indemnity, there would have to be some document or something pass between the Government and the ship and cargo owner which the ship and cargo owner could use with his banker?—Yes, I should think so.

1319. So that the mere announcement in the Gazette that from a certain date free State indemnity would come into force would not suffice?—I do not think so.

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1320. There would have to be a document in which values were stated and laid down?—I should think so.

1321. Supposing there were a system of payment at fixed rates, which I have suggested, there would be no difficulty, I suppose, in getting quotations at Lloyd's for any zone in which Lloyd's could do it under the Government fixed rate?—No, I think there would be no difficulty in that.

1322. So that even under that system a considerable amount of natural market insurance would go on?—Yes. It would of course be necessary before the State paid to bring in, as is the custom with ordinary insurance, that there was no further insurance. The question would be the same with any marine loss. It is necessary to find out whether there is what we call a double insurance. It would, of course, have to be provided against that the shipowner got his arrived value of the ship out of the State, and had in his pocket £10,000 on the hull from somewhere else.

1323. Then, after a time, as the war progressed, if it progressed in our favour, and as rates dropped below the State fixed schedule, the underwriters would come in and gradually absorb the whole of the remaining business of the war?—On that basis.

1324. And if there were a system of purchased indemnity, as I have just roughly indicated, that would tend to keep down the prices in the open insurance market a little?—Yes, I should think so. Of course, this depends entirely on what rates you did fix for the zone.

1325. Certainly. If there were no State system, but if the State did undertake to issue directions for the guidance of shipping generally, would the underwriters who took war risks stipulate that all ships which they insured followed the directions given by the State?—I think they would make use of it.

1326. Would they make that a condition of obtaining the policy?—It is difficult to say what they would do, but it would be probable that they would take advantage of that.

1327. Supposing it was known that a system of Admiralty directions would be adopted in war, would that also enter into the terms of the arrangement made for insurance of war risks in peace time?—I should think it would have an effect on rates.

1328. And on the conditions which you lay down?—Certainly.

1329. If you were insuring to-day for an imaginary war, and if you knew it had been laid down that the Admiralty would give through the war such instructions as they could, would you make it a condition on your policy that, supposing war broke out, the ships would have to follow the instructions given by the Admiralty?—I am afraid that in times of peace, having regard to the competition for the business, the underwriters would still continue to take low premiums without any conditions of that sort.

1330. Is there much business done in war insurance in normal times of peace?—On cargoes?

1331. On anything—ships or cargoes?—So far as I know it is confined to very few trades. The only one where for some reason the insurance against war is habitual is on the cargoes of nitrates from the west coast of South America, where almost invariably, in addition to the marine risks, a premium for war is included, and the cargo is covered on that basis.

1332. But at such rates that of course they cannot be fixed on any principle?—In all short voyages of cargoes no premium is charged at the present moment. But from the west coast of South America the premium is 1s. 3d. per cent.

1333. That is not really insurance on scientific principles; it is really betting against a particular kind of war?—No, it is insurance on the most scientific principle.

1334. I think you pointed out that future "Alabamas" would act in a different way, and would have greatly extended advantages—that they would be in communication by wireless telegraphy with their own ships, and therefore would be more effective as against trade in war time?—That is my humble opinion as a layman.

1335. Would not that advantage also tell in the direction of the warships protecting commerce, and in the direction of the ships themselves who were trying to avoid capture? Would not all those advantages tell equally on the other side?—It would certainly assist in keeping open routes, but I do not think it would affect the zones in which at the time vessels would be liable to capture by the enemy. They would be in portions of the sea of which for the moment we had lost control, in my opinion.

1336. Broadly speaking, the improvement of means of maritime communication by wireless telegraphy must tell most in favour of the people who have got the most warships?—I think it would.

1337. (*Sir James Mackay.*) Do you think the State might charge 1 per cent. for the risk that they covered?—Without having any data before me to arrive at an amount to be absolutely accurate, I am of opinion that we could fairly charge 1 per cent.

1338. That would cover the risk for the voyage, would it?—Yes, on every vessel that arrived there.

1339. Arrived safely in this country?—Yes.

1340. Would you apply that to short voyages as well as long voyages?—It might be advisable to differentiate in some way for very short voyages.

1341. On a voyage from Japan home, for instance, would you charge the same rate, one per cent., as on a voyage across to Hamburg?—No. When I said one per cent., I rather put it that I would not give more than that.

1342. As a maximum?—As a maximum. I alluded to that because on all the evidence which I have had the opportunity of hearing, the rate has been put down at something like an eighth per cent. as being sufficient, and I wish to give my evidence that I consider that that rate would be quite inadequate to provide sufficient funds in any way to recoup the State what they would have to pay.

1343. Of course, in an ordinary insurance policy, if an owner pays on £100,000, and the ship is lost, the underwriter gets the premium on the £100,000, and the underwriter pays the £100,000. In the case of the State, if the shipowner pays one per cent on £100,000 he pays £1,000. Would you recommend that the State would pay that £100,000 or pay the actual value of the ship?—I did not quite follow you. Is the actual value of the ship £100,000?

1344. The owner says so. He pays a premium on the £100,000?—With Lloyd's?

1345. No, with the Government?—He only pays his premium to the Government on the arrived market value of his ship.

1346. Suppose she has never arrived?—Then there is no premium paid. I do not propose that any premium should be charged on those vessels which the Admiralty have failed to bring home.

1347. Which do not arrive?—Which do not arrive. I propose that the State should pay for those. The owner has done his best to bring in the food.

1348. Then a vessel that is lost pays nothing?—No; but if the vessel comes in and is able to earn a successful freight, which in my opinion would be high in time of war, I think the Government should deduct this tax for safe convoying.

1349. Then the owner would pay one per cent. on the value of the ship?—Certainly.

1350. In that case he would try to make the value as low as possible?—He would.

1351. In the case of general average which you were speaking of, it is to the interest of the shipowner as well as the cargo owner to minimise the value?—Yes, of each.

1352. So that there is not the same difficulty there. The shipowner puts his ship in at as low a value as possible, and the other side tries to raise the values?—Exactly; so that in each case there are the two interests, and they appear to arrive at a very satisfactory mean.

1353. You spoke of some colliers being stopped in the Red Sea on the way out to the Far East?—Yes.

1354. And they were released. They were stopped by the Russians, and released?—Yes.

1355. Do you know whether they were bound for Japan or Hong Kong?—I do not know. I do not know about their papers.

1356. (*Mr. Beauchamp.*) With regard to the charge which you think ought to be made to procure the Government indemnity, it has not to be paid for

those vessels which are lost, and do not arrive?—That is what I suggest.

1357. And only on the vessels which do arrive, and therefore this would have to be paid after the arrival of the vessel?—Yes.

1358. Do you not think that that would necessitate an enormous amount of work for assessing the value of each ship and each cargo after its arrival?—I do not think it would require any more work than the State arriving at the value at which to take the insurance of the vessel paying the premium before sailing.

1359. Quite so. That no doubt would be a very great difficulty, and would not this be an equal difficulty?—They both would be difficulties.

1360. The difficulty, it seems to me, would be almost insuperable. I am not sure how you are going to get hold of every vessel after it arrives, and the cargo after it arrives, because a large amount of this cargo would be what is called general cargo. There would be different interests in the one ship, and therefore I do not see how you are going to get hold of the owner of a good deal of that cargo after the arrival of the vessel, especially if you had foreign owners?—Yes, but we are not proposing to indemnify them.

1361. Everything liable to capture carried in a British ship?—But surely there is a system of clearance at the docks. Could not that be extended? How do they pay ordinary duties? There must be a system.

1362. Yes, there is a system of paying duty. Still, I think it would be very difficult. There is only a certain amount of duty here, of course, because all things are not taxed at present?—But they are looked at to see whether they are taxable or not, I presume.

1363. But it is getting the value which I think will be so difficult?—Of the cargo?

1364. (*Mr. Lindley.*) The dock charges are imposed on packages and weights, not on values?—But articles which are liable to duty are examined in some way.

1365. (*Mr. Beauchamp.*) Yes; but this would extend all that?—It would extend it.

1366. And it would necessitate an office with a very large staff, I should think?—Without doubt.

1367. To be erected after the outbreak of war?—But I should think any scheme is going to necessitate that.

1368. If you assessed the value simply on those vessels which were captured, it would not necessitate such a large staff, but if you had the whole of the commerce of this country, it would?—You mean that these are objections to making any charge?

1369. Yes?—I quite see that you cannot make a charge, whether in the form of taking a premium of insurance before sailing, or what I would call taking the bonus afterwards, unless you have a staff. You cannot collect anything without a staff. You cannot collect our taxes, you cannot collect duty. For instance, Mr. Lindley says it is only a question of weight, but surely they look to see whether a package contains champagne or not.

1370. But the payment would be based, I suppose, on the value, and in each case you would have to get a certificate of the value of this cargo. That I should think would necessitate a very large staff and very competent supervision. You think that would be a difficulty?—I do think so, but I think it is not insuperable.

1371. Then we have had evidence to say that the market for war insurance would not be greatly restricted in time of war. You do not agree with that view?—I take the exactly opposite view.

1372. And as the premium rose the market would become smaller?—Yes. When I say I take exactly the opposite view, my view is that when the premium is assessed by underwriters at anything from an eighth to a half or one per cent. there would be a very large market, but at any acute stage the market would entirely shrink away in any war in which we were engaged.

1373. Of course, it is very difficult to hazard any view as to what the premium would be on a particular voyage in the event of war, but have you at all thought of that question? Have you in your mind fixed premiums which might be charged in the event of certain wars between this country and another country?—I am of opinion that if we were at war with another strong Power, and it as necessary for us to keep more or less of a patrol across the Atlantic for the purpose of getting grain, the rate on that would range from a half to one per cent., because there are so many incidentals in connection with a war. It is not only the actual capture of a vessel that has to be paid for.

1374. You do not think it would be more than a half to one per cent.?—Not on a patrolled route.

1375. If we were at war with Germany, for instance?—Yes. I should say the rates across the Atlantic, as long as we had command of the North Atlantic, would still be from a half to one per cent.

1376. But supposing we were at war with the United States of America, what do you think the premium on grain coming from Canada would be?—It would entirely depend upon whether our war vessels could keep a line. If that end of the Atlantic was in the hands of the American fleet the rate would be about 70 guineas I should think.

1377. Then you think that an underwriter, although he has not had very much experience of war risks, is better able to assess the value of a particular risk than anybody else?—I do think so.

1378. You said that, with regard to the Russo-Japanese war, the underwriters would have been all right in fixing the premium that they did but for an unforeseen event. What was that?—The unusual blocking of La Perouse Straits by ice.

1379. And also the unexpected fall of Port Arthur, I suppose, so soon as it occurred?—I think that underwriters knew that that would fall sooner or later, and I think the premium of 30 guineas was meant to cover that whenever it occurred. But at the same time the premium was based on the vessels bound for Vladivostock being able to pass through La Perouse Straits.

1380. If Port Arthur had held out for another month the underwriters would have netted sufficient premiums to have paid for any possible losses of vessels on that route afterwards?—They would, but I think they would have incurred further liability. They would have had more premiums in hand, but they would have gone on incurring further liability, so that I doubt whether they would have come out winners.

1381. Then there was one question that was asked you about the value of the cargo at the port of shipment plus insurance and freight to port of destination, and that no profit should be paid?—I am afraid I have been under a misapprehension. I should have read that word port of arrival. I misread that.

1382. Not at the port of shipment?—No.

1383. Because at the port of shipment a man might make a profit?—Yes; I am afraid I read that carelessly. I shall have to correct that.

1384. (*Chairman.*) The port of arrival would include insurance and freight, of course?—Yes.

1385. (*Mr. Lindley.*) And profit?—Yes.

1386. (*Mr. Beauchamp.*) And if there was some scheme of indemnity of this kind then the American shipper of whom we have spoken would have no hesitation in shipping in a British vessel?—No.

1387. That would remove any difficulty on that score?—It would.

1388. (*Mr. Lindley.*) Throughout your remarks you have referred a good deal to the question of convoy?—Yes.

1389. Suppose no convoy existed, suppose the Admiralty simply gave instructions with regard to date, route, and navigation generally, and avoided the question of convoy, would that make any difference in your opinion with regard to the question of premiums or rate to be charged, if any were charged?—Are you speaking of my suggestion of an indemnity?

1390. Yes, with regard to your 1 per cent.?—No, I should still stick to my 1 per cent. If they chose to save money over not convoying, they could spend it in making good the captures.

1391. You rather put it that the saving of expense to the State in not convoying would go towards increasing the indemnity?—Yes.

1392. Have you read Section 3 in Scheme A, and in Scheme B?—Yes.

1393. Do you think that the control referred to with

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regard to the Admiralty there is sufficient?—Under which section, may I ask?

1394. Scheme A, Section 3, page 4. Do you consider that the notification to the Department and the control mentioned by the Admiralty here would be sufficient?—No.

1395. Do you wish for a further control?—I wish to specially put in the right to insist on the abandonment of the voyage at a given point.

1396. I was going to suggest the words "date of sailing" there would deal with that question, provided the voyage had not already commenced?—But I am speaking of when the aspect is changed during the course of the voyage, that it should be possible to prevent vessels for instance entering the Mediterranean after it is known that that is a hopeless spot.

1397. There was another point referred to as to the transference of the cargo to a British subject. In your experience have you had any difficulty in ascertaining where the property of a neutral or an alien has passed to a British subject? I mean you have had many cases of transfer of cargoes *en route*. Have you ever had any trouble in finding out where that transfer has taken place?—I have never had any experience.

1398. I thought you might have come across some of those cases where the sale of cargo takes place *en route*?—It does, but it has never led to any difficulty. For instance, in the nitrate business it occurs in almost every shipment.

1399. Would there be any difficulty in tracing those sales?—None whatever.

1400. So that if the transfer did take place it would be easily ascertainable whether the goods were at the time of capture the property of the British subject or that of the neutral?—Yes, subject to fraud.

1401. Of course, that we have all got to guard against?—There would be no difficulty otherwise.

1402. There was another suggestion as to the form of policy for hypothecation. Supposing the ordinary notice were given under Scheme A, do you consider a policy would be required? A notice once being given, would not the ship and cargo be automatically covered?—It would be automatically covered, but the question which was raised was whether that would satisfy the bankers.

1403. Exactly, and that is what is in my mind. Supposing the bankers knew that the property was the property of a British subject, would they not be equally aware of the fact that it was automatically covered once the notice ws given?—Yes; of course you are raising another difficulty, and that is, from the banker's point of view, what is going to happen to him if the shipowner, having taken advantage of this indemnity, disobeys instructions.

1404. That is referred to in Section 4. Look at "N.B." in Section 4?—Quite. It is not dealt with there.

1405. It is rather left for consideration, is it not?—Quite; it requires consideration, I think.

1406. If that were granted, would it or would it not remove any difficulty with regard to the banker's question?—It would remove it.

1407. You think it would?—Yes.

1408. I take it you lay a good deal of stress upon the position which the bankers take up with regard to mercantile work throughout the world?—Entirely. Commerce is entirely in their hands.

1409. So that it really is a great point, in whatever scheme may possibly be adopted, to see that the bankers are properly protected?—A necessary point.

1410. Supposing the notice to the Admiralty, or rather to the Government Department, were given, the mere acknowledgment to the shipowner would be sufficient then to show that that notice had been given?—I should think so.

1411. That would take the form of any policy that would be required, would it not?—Yes.

1412. You said just now that you objected to any additional insurance over and above the values which are supposed to be covered by the Government under this scheme?—I did.

1413. Why?—Because it would open the door to our experience in the last war, of vessels going on a venture, not so much with the idea of arriving and carrying the commerce to their port of destination, but of falling into the enemy's hands, and getting either the underwriters' or the State's money.

1414. If the underwriter accurately judged the amount of premium necessary to cover the risk, he would take the possibility of that into consideration, would he not?—No doubt a small amount could be done. You mean, would it be possible to insure above the indemnity?

1415. Yes?—Certainly.

1416. That being the case, is there any objection to it?—No objection on the part of the underwriter, but there is an objection on the part of the State.

1417. The objection on the part of the State being to probable fraud?—Quite.

1418. I wanted to gather what your idea was?—That is my idea.

1419. (*Sir Thomas Glen-Coats.*) All the evidence today has been, I think, with regard to ships and cargoes arriving in this country. Would you apply the same principle to ships carrying either minerals or goods to a foreign port?—The difficulty of assessing or collecting the premium in those cases is apparent. I have not arrived at any satisfactory conclusion whether the charge should be made in those cases before shipment or afterwards. But in any case I am in favour of the indemnity being extended to them.

1420. Then you would give the indemnity to foreign ships bringing goods, say wheat, the property of an American owner, to this country. Would you give indemnity either on the ship or on the cargo, or both?—I have not considered that question.

1421. (*Captain Ottley.*) As regards the naval aspect of your evidence, there are some questions I should like to ask. You said, I think, in an early part of your evidence, that the war risks of vessels plying to the Baltic ports would be enormous?—Under certain conditions.

1422. That is what I wanted to make very clear. Of course, the war risks to vessels plying to Baltic ports in the event of a war between ourselves and the United States for instance, would be negligible?—That would not be a hazardous zone.

1423. So that the war risks on any route must vary with the enemy?—Entirely.

1424. There was one very small point with regard to something you said about the danger in the South Atlantic from German vessels plying from Swakopmunde?—Or some other base.

1425. I should like to ask you if you can tell us of any base in the South Atlantic that the German ships could use?—Not at the present moment.

1426. There was a point that Sir George Clarke asked you about with regard to the probabilities of foreign nations at war with this country making large use of wireless telegraphy in order to direct their cruisers?—I feel that that would be largely used by any enemy making captures. I do not lay much stress in the future upon the ordinary privateer which we read of in history going out and doing damage. I do not fancy the damage to our Mercantile Marine is going to be done by that at all.

1427. So that to once more take a concrete case: imagine a French or, better still, a Russian cruiser acting upon the great Atlantic trade routes, either the North or South Atlantic, whence is she going to get her radio-telegraphic information?—I look upon that as a half-crown risk—no risk under those circumstances. But, on the other hand, if we were at war with the United States it would be a 30 guinea rate on ships from Canada, unless we had annihilated their sea power, because they would patrol the mouth of the St. Lawrence by one vessel with wireless communication. They would act exactly as the Japanese did. They were on the wharves at Hong Kong and all our coaling ports in the East, and the Japanese were drawing descriptions of the ships in Cardiff and on the Tyne. They knew exactly what was happening.

1428. As with the bases on which they would act, so also on that question of controlling their ships with wireless telegraphy, circumstances must alter cases?—Absolutely.

1429. There is just one small point about what you

said in favour of indemnity. You said, I think, that you favoured indemnity rather than insurance, but you thought that such indemnity should be coupled with some sort of payment?—If possible.

1430. Then I understood you to suggest that the payment should be made after the arrival of the vessel at the port as a sort of thankoffering. She arrives at the port and pays to the State something by way of thanks. At any rate, it is not paid until she arrives?—Just so.

1431. I should just like to ask whether you think, if payment of that sort is made, it should be made in the form of some collection upon tonnage dues?—Mr. Beauchamp has raised difficulties.

1432. I understood Mr. Beauchamp's questions, but I confess I do not think I quite understood what your view was about that?—My view was that there must be some system of inspection of ships and cargoes on arrival which could be extended to meet this and arrive at values for the payment of a tax before clearance. But I am speaking of a subject of which I have no knowledge. I know nothing about this Customs business except that I know it exists.

1433. If England were at war with France, could you give any sort of outside estimate, any guess at all at what would be likely in the early part of the war to be the rates of war insurance upon British merchant ships plying across the North Atlantic?—I think it is impossible for any one to hazard such an estimate. It would entirely depend upon the position of the French fleet and our fleet.

1434. In the early part of the war, until the great fleet actions had more or less cleared the air, do you think it might be large?—I think the premium depends very much indeed upon how the war is commenced. If the war is commenced by a sudden capture or seizure of merchant vessels, it would create a very great scare in the insurance market, and would scare out the greater number of careful quiet underwriters, and would leave only the more venturous to deal with these questions. That is my opinion. But, if on the outbreak of war the French Fleet were occupied on purely warlike matters, and took no heed of our commerce which arrived, the insurance would be a ready market and the premiums would continue low. It is impossible to foretell what would happen.

1435. Do you think it would be safe to say as much as this, that in such an event as war between England and France, if the premiums on the English ships were a certain amount, the war risk premium on United States ships coming to the United Kingdom would be less?—Yes. I should think so. I think you could safely say that.

1436. Then the British ship would have to pay, in order to insure her war risk, a certain premium, which would be greater than the American ship would pay?—Yes.

1437. That is tantamount to saying, is it not, that the British ship is penalised as a cargo carrier as compared with the American ship?—In time of war?

1438. In time of war?—It is in theory, but I should very much like to qualify my remarks here, because I am suffering from the bitter experience that when war has once been declared every conceivable kind of cargo becomes contraband for the time being. That is what we suffered from in the Japanese War. We paid for vessels which had no contraband on at all, but they were considered contraband. Under those circumstances I think the Americans you are speaking of would be the first to realise that, and they would not ship on the chance of getting it out of another Power, and the premium would be very much the same. It would be a little less, if anything.

1439. (*Mr. Llewellyn Smith.*) I suppose the most critical time is at the outbreak of war and just after?—As an underwriter I fear that most.

1440. And you suggest that all British ships afloat at the time of the outbreak of war should come under the scheme of indemnity whether notice has been given or not?—That is so.

1441. Such ships as got home you would charge 1 per cent. whether they liked it or not. I mean, it would not only be a voluntary payment in case they wished to come under the scheme, but any ship which came in that was at sea at the time of the outbreak of war would be taxed to that extent in our ports?—It would; but that question wants careful answering, because there might be a vessel just outside the port. I am rather of opinion that this tax should only apply to ventures which are commenced after the outbreak of war.

1442. Then it would be free indemnity for vessels that were afloat at the time?—Yes, I think that would be the conclusion which would have to be arrived at.

1443. And with regard to the vessels detained in foreign ports and ordered to remain there because it was unsafe to come away—I mean the vessels which were in foreign ports at the time of the outbreak of war, would you have free payment for the demurrage?—Yes, if they were there at the time.

1444. For any length of time?—No, until notice was given that the route was clear.

1445. And after that this tax of 1 per cent., or whatever it might be, would come into operation?—Yes, for the rest of the war.

1446. (*Chairman.*) I understood in answer to me that you said you would not make the scheme obligatory, but would only impose a tax of 1 per cent. on the vessels which had expressed a desire to have the benefit of the guarantee. I understood you just now to say in reply to Mr. Llewellyn Smith that you would make it obligatory?—I am speaking of the outbreak of war. I thought we were entirely alluding to what occurs on a sudden outbreak of war. There I am of opinion that the commercial world of Britain should know that there is a State indemnity, but that as the war proceeded that would require to be qualified.

1447. That thereafter it would be optional to the shipowner to have the indemnity and pay 1 per cent. if he came safe home, or to go without the indemnity and pay nothing?—I did say that to you, but it leads to ramifications. I am of opinion that some option should be allowed to the shipowner.

1448. (*Mr. Llewellyn Smith.*) Then supposing the Admiralty used its power of ordering the abandonment of a voyage, or stopping at Gibraltar a vessel from going into the Mediterranean, would they pay anything for the loss incurred by their not going further on that route?—Certainly. It would save them paying the whole loss of the vessel going on.

1449. That would be covered by the 1 per cent.?—Yes, or by whatever tax, or toll, or due the Commission would arrive at as being required. I am not of opinion that because at the outbreak of war the Commission agreed to 1 per cent. it should not be altered.

1450. It might be raised or lowered?—It might be raised or lowered.

1451. You do not think it would be sufficient if there was free indemnity for all the vessels employed at the time of the outbreak of war, and then everything was left afterwards to the underwriter?—That would be a very great scheme in itself, but whether it would be complete I should not like to say. I have not considered it; but that would be an immense stride.

1452. And, of course, very simple, comparatively?—Yes.

1453. Did you contemplate that a notice should be given for each ship on each voyage, or that a general notice by a big steamship company that they wished all their ships to come in under the scheme, given once for all, would suffice?—I would say that that would suffice, but there is no doubt that it would be necessary to know where the vessels were. Notice would have to be sent in to say that certain vessels were loading grain from the River Plate, or from North America, or from Canada.

1454. I do not quite understand why that should be necessary. If the vessel was captured on a given date in the prohibited zone, there would be no payment?—Quite. If that is made clear there is no need.

1455. (*Chairman.*) Have you considered the difficulty which might arise from a vessel being lost at sea? How would you apportion whether it had been sunk by a belligerent cruiser or lost through a marine risk?—I would not raise that as a difficulty to any scheme. The occurrence, in my opinion, would be so exceedingly rare that it would be perfectly possible to deal with it on evidence when it arose.

1456. Might you not have evidence that there had been a foreign cruiser somewhere in that neighbourhood, that there was also a bad storm in that neigh-

Mr. R. Beck. 12 Mar. 1907.

bourhood, and no further evidence as to what had become of the ship, which was never heard of again?—I am of opinion that it is unlikely that any first-class Power with which we were at war, however desperate, would sink ship and crew.

1457. You explained to us that in your opinion, if many captures followed the outbreak of war, British shipping would become practically uninsurable?—It would be paralysed.

1458. What would then happen? Would the shipping trade go on without insurance, or do you imagine that the vessels would be laid up?—They would be laid up.

1459. Or transferred to a foreign flag?—Yes.

1460. There was one point as to which I was not quite clear—I think it was in answer to a question of Mr. Beauchamp; it is in regard to the value of the cargo on which you would pay compensation. I think, in answer to Mr. Beauchamp, you said the value at the port of arrival?—That was my idea.

1461. But that would include not merely cost, insurance and freight, but profit also, would it not?—I think I am right in saying it would include ordinary profit.

1462. That is to say, it would put the merchant in as good a position as if his venture had succeeded?—It would, but no better.

1463. You think that is the happy mean?—Yes.

1464. It would not be sufficient to compensate the merchant and the shipowner merely against out-of-pocket loss?—I think it would be better to encourage them to go into this hazardous trade.

1465. (*Sir George Clarke.*) Have you formed any idea of what rate per cent. for a long voyage, say London to Hong Kong, would be so great as to practically cause the voyage not to be undertaken?—By a steamer?

1466. By a steamer. Could you give us any idea about how much would be prohibitive in fact?—The rate would entirely depend upon the position of the enemy's fleet anywhere near the route.

1467. I am not talking about that. I want to know if you can tell us what would be the maximum rate which would produce the stoppage of our shipping; how much, in fact, should shipping stand without being checked or hindered altogether?—Do I understand you to mean how long would there be a free market of insurance?

1468. No; how much could shipping stand in the way of insurance without being brought to a stop and laid up, or sold, or transferred to a neutral?—If the rate from Canada to this country was five guineas, and we could get plenty of grain from the Baltic, and therefore the price of corn in this country was normal, no shipper could afford to pay five guineas for bringing it from Canada. It would stop shipping as far as Canada was concerned.

1469. A rate of anything like 2 per cent. or 2½ per cent. for long voyages would not really be a very heavy burden, considering the freights?—It would absolutely put a stop to it. You are speaking of Japan or China. If the rate was 2 per cent. on our goods owing to circumstances, it is perfectly clear that the Japanese would not buy our goods plus 2 per cent. if they could get all they wanted from America without any war risk. It would stop the trade. My opinion is that a five-shilling rate would stop it. I know that when Bradford spinners were supplying millions of blankets to Japan the contracts depended upon whether the rate was 5s. or 10s. per cent.

1470. And that is equivalent really to saying that unless we do something of this sort British trade cannot be expected to go on in war?—Absolutely. In my opinion there is no question of it.

1471. So that it is vital the State should do something?—Vital.

1472. Your system of the 1 per cent. can only be made to apply to a ship that arrives in this country?—That is so.

1473. Therefore all shippers under the British flag not coming to this country receive all the protection of the British Navy, and also receive the benefits of the indemnity, and cannot make any return for it at all?—That question must be dealt with. My attention was specially called to the keeping up of food supplies to this country in time of war, and it was to that problem of keeping that portion of the commerce of this country going that I directed my attention. As regards the commerce in British ships, between other countries, or the exports, I have not given special attention to it so as to give an opinion how they should be fixed. But I am still of opinion that it should all come under the head of indemnity.

1474. You do admit it would be inequitable merely to penalise ships arriving at ports in the United Kingdom?—Absolutely inequitable.

1475. You think that some other system of getting at the other ships must be fairer?—Yes.

1476. (*Mr. Beauchamp.*) With regard to the question of demurrage, I think you said that if the Admiralty decided to detain a vessel in port and not allow her to leave, they would have to pay something in the form of demurrage?—I am of that opinion.

1477. That is not contemplated by the schemes which we have put forward. The scheme is only to cover the losses by capture, seizure, and detention by the King's enemies?—Yes. May I give reasons for that? My reason for that is this: Take a shipowner who is taking advantage of the indemnity and has a ship in the Mediterranean; it is unfair to him to say, "Keep your ship in port, because it is dangerous there," without giving him some compensation. You know that in the opinion of the Commission or the Bureau that particular part would be extremely hazardous and certain death, therefore you command the shipper to stay in port, and for that detention he should be recompensed.

1478. Then there was a question with regard to that by the Chairman with reference to any difficulty that might arise as to whether the loss occurred from a marine peril or from the destruction of the ship by the enemy. Suppose a ship were posted missing at Lloyd's, the presumption would be that she had been lost by a marine peril, and the Marine Underwriters would have to pay unless they could prove she had been destroyed by the enemy?—Yes, that is the answer to it.

1479. And that is exactly what did happen, I think, with regard to a vessel going to Vladivostock?—Yes.

1480. She was missing, and one of her boats was picked up, but it was not known whether she had been wrecked or had been destroyed by a mine?—Yes.

1481. And the underwriters paid on a marine policy?—Yes.

1482. It was eventually proved the underwriters were correct in having done so, because months afterwards—I think after the war was concluded—the bones of that vessel were discovered on the coast as a wrecked vessel?—Yes.

1483. (*Chairman.*) In that case do you know whether the marine risk had been taken by different underwriters to the war risk?—Yes, it had. May I say one word? I would like to say that the answers which I have given I think I am quite satisfied represent my views, but there is one question upon which I am not quite satisfied, and that is my answer to you as regards whether the shipowner should be allowed to take advantage of the indemnity or not. It is such a very complex problem that I feel I could not without a very long discussion give all the pros and cons. of that. But I am in favour of this, that under certain conditions, although the effort should be to bring every shipowner under the indemnity, there might be cases in which he should be exempted.

1484. If when reading the proof of your evidence through you would like to add anything on that point, perhaps you would do so in the form of a memorandum. Of course, any ordinary corrections you will have the opportunity of making in the proof?—Thank you.

(For memorandum subsequently supplied by Mr. Beck see Appendix.)

EIGHTH DAY.

Tuesday, 19*th March* 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman.*)

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. SIDNEY ALEXANDER BOULTON, called and examined.

Mr. S. A. Boulton. 19 Mar. 1907.

Mr. Boulton, in a preliminary memorandum*, had submitted:—

(1) That Scheme B is preferable to Scheme A, Clause 3 of Scheme B being necessary to prevent wilful loss by capture.

(2) That a State policy should be given to every British steamshipowner for 12 months, at a premium of 2s. 6d. per cent. Values to be agreed upon between shipowner and Government acting under expert advice. Sailing ships to be excluded.

(3) That it is necessary that food and raw material should be supplied at a reasonable price in times of war.

(4) That in order to prevent panic prices, owing to large war premiums, the State should give a gratuitous indemnity to cargoes of food and raw material. A Committee to be appointed to draw up a schedule defining food stuffs and raw materials, and to deal with values and claims.

(5) Shipowners to insure and pay premiums at once, the income of £200,000 resulting therefrom (2s. 6d. per cent. on 16 million tons of steamships at £10 per ton) to form a fund for contingencies.

1485. (*Chairman.*) I think you are an underwriter?—Yes.

1486. A member of Lloyd's?—Yes.

1487. And you have had a good deal of experience of war insurance?—Yes, unfortunately.

1488. Will you give the Committee some idea of the extent of your experience in war risks?—During the last 10 years, in various war scares that have caused large war insurances to be done, I have paid in losses and claims as much as £150,000, so that my experience has been rather large and rather varied.

1489. It extends to the Spanish-American war as well as to the Russo-Japanese war?—Yes.

1490. You have seen the terms of the reference to this Committee?—Yes.

1491. And you have seen the Schemes A and B?—Yes.

1492. You are, I understand, in favour of a scheme of national guarantee?—Certainly.

1493. But you prefer the model of Scheme B to Scheme A?—A combination of the two, or a selection from the two; not either one or the other. An amalgamation of the two seems to me the most practical and beneficial.

1494. You are in favour of some payment by the shipowner in return for the guarantee which he obtains?—Yes.

1495. Do you intend that payment to be made only in time of war or in time of peace and war?—In peace and war.

1496. Would it be an offer open to the shipowner to accept or refuse, or would you make it compulsory upon shipowners to come under the scheme?—I think that would be a matter for the shipowners. If a large majority of the shipowners were in favour of it I think it ought to be compulsory; but if not, I think only voluntary. Of course, it is all subject to what the shipowners might have to say in the matter. If they disapproved of it altogether, I think that part of the scheme relating to the payment of a premium in peace time would have to be abandoned. You cannot make them pay it. I do not suppose anybody wishes to make them pay it; but it appears to me, as a man of business, that it would be a very favourable offer to them.

1497. Have you formed any idea in your own mind as to what the amount of the premium should be?—Yes, I have fixed upon the price of one-eighth per cent. of the value of the steamer.

1498. You say the value of the steamer. Do you mean to exclude sailing ships?—Yes.

1499. On the ground that they are too bad a risk? They are too bad a risk, and they are not worth paying for. The sooner they are done away with the better it will be for the owners, and the underwriters, and the commercial world in general.

1500. Are not there particular trades which are still almost entirely carried on by sailing ships, for instance, trade between Australia and the West Coast of America?—Not entirely, but very largely at present. But they are being superseded. All the trades which were exclusively in the hands of sailing ships are being cut into by steamers now, and are being superseded by steamers. The trade from the West Coast with nitrate and wheat was very largely carried in sailing ships. Now, I should think, quite as large tonnage comes in steamers.

1501. So that practically you think the steamer is beating the sailing vessel everywhere?—There is no doubt of that.

1502. And the sailing vessels will probably die a natural death?—Yes.

1503. But in the meantime you would not seek to keep it alive by giving it the benefit of the indemnity?—No, I do not think a guarantee against war risks for sailing vessels would be a good move, either as a matter of policy or as a matter of business.

1504. In fixing or suggesting a rate of one-eighth per cent. what has guided you to that particular figure?—I have been guided to some extent by the rate which prevails at the present time, or in normal times, which is charged by those underwriters who take that business. The price at the present moment, with certain restrictions as to trade, is 3s. 4d. per cent. Of course, that covers risks of war not only with this country but between other countries.

1505. Is that 3s. 4d. per cent per annum?—For 12 months. That is the rate now. But in the case of a war scare that rate would go up considerably. In the time of the Penjdeh scare 1 per cent. for 12 months was paid for large fleets or 10s. per cent. for three months, so a shipowner can never depend on having his war risks covered by underwriters at 3s. 4d. or 5s., or any price at all. But if he goes into this arrangement it does not matter what the political state of affairs is; he knows that all he has to pay is one-eighth per cent.

* *Vide* note, p. iii

Mr. S. A. Boulton.

19 Mar. 1907.

1506. Among the witnesses we have had there has been a great conflict of evidence as to whether it would be possible to insure at all the whole of our mercantile marine if we were ourselves engaged in war. Have you formed any opinion upon that?—I have thought of it. It is a matter of imagination more than calculation. It is easy to imagine a state of circumstances in which it would be impossible to insure the whole of the mercantile marine, or, even if people were willing to take it, whether the security offered would be substantial enough to warrant the premium being paid. Of course, it is quite a matter of speculation as to what would happen. Some people have gone so far as to say that in a war which involved a large number of our steamers or vessels being captured the whole of the companies of London would be in the Bankruptcy Court. Statements of that sort have been made, very wild and vague, and uncertain. You cannot tell what would happen. But from my experience in the Vladivostock affair the helplessness of a merchant steamer in time of war was very much impressed upon me.

1507. But the circumstances in that case were very peculiar, were they not? They were peculiar because there was only one narrow line of approach, and the port was practically blockaded from the beginning?—Yes, the field was very restricted, and the facilities for blockading it were very great owing to the position of Japan.

1508. It would be very difficult to argue from that to what would be the situation in case we were at war, with our extended coast line?—Yes. As far as the immediate coast line goes, and the Channel, and so on, I have no doubt the protection would be very great. But considering our shipping is spread all over the world, I think the idea of protection is out of the question. It would be a question whether the enemy could undertake these capturing operations. If they had facilities for doing that, such as a base in the Mediterranean, or one can imagine other spots in the world—the Baltic, for instance—it would be like a flock of sheep with a wolf amongst them—no hope.

1509. Apart from the extent of particular risks, is the market large enough to take the war insurance of the whole of the British mercantile marine?—Do you mean in time of peace?

1510. Let us say in time of peace first of all?—Certainly. Certain companies are apparently willing to take any line up to £50,000 on each steamer in time of peace.

1511. Suppose war seemed imminent, would there be a large market for war risks, do you think?—A very much smaller market than there is in time of peace. There would be a great scare, no doubt. A great many people would go out of the market altogether.

1512. The number of people who will at any time write war risks is very much less than the number who are engaged in writing marine risks?—Very much less. A large majority of underwriters prefer not to underwrite war risks, and they do not write them if they can help it.

1513. Of course, to underwrite our mercantile marine against war risks is a very much larger operation than anything of which you have had experience in either of the countries you have mentioned?—Much larger, of course. We calculate the value at £150,000,000, I think, roughly.

1514. Personally, in suggesting the rate of $\frac{1}{8}$ per cent. payable in peace and war, you do not think that would be too grievous a charge upon shipowners in time of peace?—I should have thought not. A good deal depends upon what the shipowners will have to say; but to anyone who is largely interested in shipping the question of war between this country and another must be one of the elements in their consideration, one of the factors in the value of their property. If that danger is eliminated I think the property would be increased in value, and I should have thought as a business transaction that an offer of a guarantee on the part of the State would be well worth $\frac{1}{8}$ per cent.

1515. I gather that in arriving at the figure of $\frac{1}{8}$ per cent. you have not attempted to fit it particularly to the actual war risks?—No, certainly not.

1516. Have you any conception of what the risk of the State would be likely to be in case of war?—No. I should be very sorry to offer any opinion on that.

1517. It is practically guess work?—Quite.

1518. Past experience, in your opinion, does not give us any useful guide?—No. I do not think it is any good referring to the Napoleonic wars, or anything of that sort.

1519. Will you explain to the Committee on what grounds you prefer a guarantee on payment of this premium rather than a free guarantee?—In the first place I think it is only right that the shipowner should pay for what appears to me to be a great advantage offered to him. In the second place it constitutes a sort of register of value which is settled in time of peace, at leisure, with plenty of time for ascertaining correct values, and so on, which is not altogether an easy matter, but still one that is to be done with the help of experts. That is a sort of register, and when war and commotion and scare arise there is no doubt whatever about the value. I do not think that any scare value, as you might call it, should be taken into account. The steamer might be worth a great deal more in time of war owing to certain circumstances. But I do not think that ought to be taken into account, and certainly a man ought not to be allowed to insure as much as he likes. That is one of the great points, because my experience shows that a certain class of men, when they are very well insured, are absolutely reckless as to what becomes of their property. I do not say that as against shipowners as a body, of course, but there are a number of men (and the thing has actually happened) who, being very well insured, have neglected the most ordinary precaution that they ought to have taken in order to avoid capture.

1520. Capture being a matter of indifference, or perhaps even an advantage to them?—A large advantage.

1521. I take it, therefore, your main object is to arrive at an agreed and fair value in time of peace, when there is no pressure, by which to assess the losses in time of war?—Exactly.

1522. That would involve the State opening an insurance office in time of peace, would it not?—Yes, an office, a branch, I should think, of the Board of Trade. I do not know what department, of course, but I should think the Board of Trade; one man, a secretary or something of that sort, would be sufficient.

1523. They would require highly expert assistance?—Yes, but not constant assistance: I mean to say a reference to the Surveyors of Lloyd's Register—there are a number of men qualified—and men who sell ships.

1524. You think it would not be a difficult thing under those circumstances to fix the value of ships fairly?—I do not think it would be at all.

1525. Some witnesses seemed to think it was an almost impossible task?—I cannot see that. You see, if the shipowner is paying a premium in time of peace, when there is no apparent fear of any claim arising, it will not be his object to increase the value, because it is quite problematical whether a claim will arise—in fact, we all hope that a claim will never arise upon it—and therefore he will not want a fancy price fixed upon his ship; he will be quite satisfied with the fair value. In fact, a good many men perhaps would turn round and say that it was an imposition; that they were not in favour of it.

1526. I gather that you think it would be impossible to fix values fairly after the loss had occurred?—Very much more difficult.

1527. Of course there would be an advantage in one way, that the State would then only have to inquire into the value of the ships actually lost?—Yes, that is so.

1528. It would restrict the amount of work they had to do very much?—Yes, but when the loss had actually taken place the owner of the property would use every effort to increase the value of it, and it would be much more difficult to check it, and would lead to no end of dispute. That is the great point, to avoid dispute. As underwriters we should never allow a value to be fixed after a loss. We should arrange, and we do arrange in certain cases where the value cannot be fixed before the vessel has been some time on her voyage, that the value shall be taken at, say, invoice cost, the freight, and 10 per cent.—a fixed sum. But we should never leave the owner of the property to fix the value after a loss, because we should not only be very often swindled, but we should certainly be having differences, which are best avoided.

1529. In the particular case you take you are speaking of fixing the value of the cargo, not the hull, of course?—No. Of course, the hull is always valued before.

1530. Do you consider that is a fair value to put upon the cargo?—A 10 per cent. profit?

1531. Yes. Might one take that as a general working rule, that that would be fair both to the underwriter and to the owner?—In the case of ship or cargo?

1532. In the case of cargo?—In the case of the cargo I think it is a very general principle.

1533. Now, returning to the case of the ship, is it not possible to find some rule of thumb of the same kind—the cost of the ship less a fixed depreciation?—No, I do not think so. I think some ships depreciate much more rapidly than others.

1534. Take the ordinary case of your being asked to underwrite a particular ship, you do not survey it specially to arrive at its value?—Oh, no. We take a very rough and ready method; in fact, the fixing of the value of a ship is one of the most irregular proceedings in our business. We practically allow the owner to put what value he likes upon it.

1535. I think it has been suggested to us that generally the values are rather large, that they err on the side of generosity?—No, I would not go so far as that. It is rather a technical question. There is a way of insuring a hull now—I do not know whether it is really worth while detaining you upon it—but the practical effect is this: The owner puts a small value upon his steamer, which he insures against all risks at, say, five guineas or six guineas per annum. He puts a value, perhaps not more than three-fourths of its real value. Any claim except total loss is paid upon that policy. For instance, suppose a boat is worth £30,000, he insures for £20,000 at the high rate, and any claim except of total loss is paid on that policy of £20,000. If there is a damage of £10,000, that policy pays the £10,000. The value is really £30,000, and so to cover the total loss he insures £10,000 against total loss at a premium of about 35s. He therefore saves the difference of £10,000, between 35s. and five guineas per cent., and therefore an owner often puts a low value on his steamer, although he is insured for the full value as a matter of fact. But that is a technical matter. I think owners, as a rule, want to insure the full value.

1536. It would not be possible to take, as a rule for arriving at the full value of the ship, the cost, and then such depreciation as is allowed, for instance, for income-tax purposes?—No, I think it would be very complicated and very difficult, and when you had got a state of things such as you can imagine in time of war, when a man wants to get paid at once, leaving his value open would lead to a great deal of difficulty and a great deal of loss of time, and therefore I think to have the value settled in time of peace is an important point. I will tell you one instance. There was an American owner, and as a sea risk his steamer was insured for £20,000. He took up a charter which involved a war risk, and he insured for £35,000. The steamer was captured. She was kept a long time by the Japanese, and finally sold back to the owner. The underwriters paid a loss of £35,000 on it. She was sold back to the American owner for £10,000. So he got £35,000 from the underwriter and the steamer, for which he paid £10,000, or a profit of £25,000. That is the sort of thing one has to contemplate.

1537. And that you would provide against by fixing the value in advance before there was any scare?—Yes.

1538. Do you consider the dangers of that overvaluation so great that unless the values could be fixed beforehand you would be opposed to any scheme by the State?—No, it would not affect me in that way at all. I should not oppose the scheme on that ground, but I think it would be a better scheme the other way.

1539. You do not think that the risk of frauds against the State under any other system would be so great that the State had better not touch it?—No, I would not say that. I would say that if the State had brought before it the possibility of fraud, it would be wise to try and avoid it.

1540. You gave as your other reason for desiring a premium that you thought it was only fair that if the shipowner received this great benefit he should pay something for it?—Yes.

1541. I presume that he would recover that something from other people eventually in his charges?—Oh yes, of course; all these charges are eventually paid by the consumer.

1542. So that the contribution by the shipowner would be more nominal than real?—Yes. In any case it is very small, I think. It might be smaller. I only fix 2s. 6d. as a suggestion.

1543. On what grounds do you argue in favour of the adoption of a scheme of indemnity at all?—On the ground that it would have the effect of steadying prices; that is the first great advantage; and, secondly, it would prevent our business as shipowners from being seriously affected.

1544. You anticipate that without any such scheme rates would fluctuate violently on the outbreak of war?—Yes.

1545. What do you think would then happen. Would ships be laid up?—Yes, that is one of the probabilities. A large number of owners not being able to insure their vessels at a reasonable price would have to lay them up. In the Japanese war the large fleets that trade to this country and to America were laid up entirely. Of course, we cannot argue entirely from things of that sort.

1546. The Japanese fleets?—Those that were not used in transport had to be laid up. There was no line of steamers running between Europe and Japan. It was impossible to run them.

1547. Of course the Japanese at that stage of the war were not in a position to give any naval protection to their vessels in European waters?—No, they never could have been in that position.

1548. On the other hand, their mercantile marine was comparatively a small affair?—Exactly.

1549. And its place could easily be filled by foreign vessels?—Yes, chartering foreign vessels.

1550. But that would hardly be the case if our mercantile marine were largely held up?—No, we should not be able to charter the other vessels. But I do not know that our position would be much stronger in the China seas in time of war than Japan's position was in the Mediterranean.

1551. Do you think there would be much transfer of shipping to a foreign flag?—I am not an expert as to the facility of transferring shipping. I have read a good deal about it, and there seems to be a difference of opinion.

1552. Do I gather that you would confine your indemnity to food and raw materials?—Yes. After thinking over the matter and reading the evidence of the Food Commission, I have come to the conclusion that you could not say that the State was benefiting by indemnifying, for instance, a cargo of raw silk from Japan to Vancouver, which might run into half a million, or something of that sort, and you could not say that it was for the benefit of the starving poor of England that the State had to pay half a million for that.

1553. And therefore your guiding principle would be the protection of the interests of the food supply of the poor, and of the raw materials on which the poor here at home depend for employment?—Exactly.

1554. But not the protection of our trade at large?—No. I should think that would not be warranted. I think the other is certainly warranted as a matter of State policy.

1555. And you would confine the guarantee, therefore, to cargoes coming to this country, and to so much of those cargoes as were of necessity to the people?—Yes.

1556. Would you, then, confine the guarantee to steamers which were engaged in that trade?—No. I think there is a different reason to be put forward in favour of indemnifying the steamers in any trade and every trade.

1557. And what is that reason?—I think that the prosperity of the shipping trade and the conditions of it differ from the general trade of the country. The destruction of a shipping fleet is quite a different matter to a temporary interference with commerce.

1558. You feel that if the mercantile marine were once seriously injured, there would be a great danger that it would never recover?—Never entirely recover.

1559. Whereas the loss of a particular cargo would

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be a comparatively small matter, causing only temporary inconvenience?—Yes. I think a very strong case can be made out for an indemnity for steamers and for food and raw material, but I do not think a strong case can be made out for a general indemnity.

1560. Would you give an indemnity on outward-bound cargoes?—No.

1561. You would indemnify the inward-coming raw material in order that people may not be thrown out of work in this country?—Yes.

1562. But would not the same reason lead you to indemnify the outward-bound cargo of the manufactured produce?—Of course, there are many reasons to be urged in that direction, but I think one has to consider what the country would have to say to a question of this sort, and I think the country might see the policy of indemnifying the one, but they would not be so ready to engage in the much larger undertaking of indemnifying the export.

1563. But the sale of the produce of their labour is quite as important to the working classes here as is the supply of raw material that their labour works on, is it not?—Yes, I suppose it is.

1564. You might cause great distress in Lancashire as easily by closing access to the markets of the East as by cutting off the supplies of raw cotton that were coming in?—Yes, but I do not think you could keep the export trade of this country intact by paying the losses of capture. You might say, on the other hand, you could not ensure the arrival of food supplies by paying for the losses, but to my mind there is a great difference between the two. I do not know whether I can formulate it all at once.

1565. My idea was that you might lose the market for your finished goods owing to scare rates of insurance and scare prices for freight just as easily as you might lose it owing to the high cost of raw material?—Yes. I can see the point, but it does not seem to me the urgency is so great in the one as in the other, because we should not anticipate that a war would last for years, and temporary interruption of commerce is not the same as a temporary interruption of food supplies. The effect would be entirely different. One is a matter of famine prices, starvation, and insurrection possibly—difficulties at all events; the other is a mere matter of tiding over a few months of bad business.

1566. I am not sure that I agree with you. If you carry your mind back to the American Civil War and its effect upon Lancashire, do you think that altogether bears out your view? There was, of course, no stoppage of food supplies then, but there was tremendous distress, was there not?—There was. I have not considered it in that light. Of course, the American Civil war was an unconscionable time getting itself finished, and I do not suppose we should see anything like that in a war between this country and another. Modern war is not carried on as that was—the struggle of armed mobs, as Moltke called it.

1567. Suppose there were a ship freighted partly with raw materials or food supplies, such as you would propose to cover, and partly with articles of luxury, or articles going elsewhere, which you would refuse to cover, would not the risks be spread evenly over the whole cargo in the matter of the charges made to owners?—The owners of the luxuries would nave to pay a premium for the war risk, and he would have to pay a much larger premium, whereas the other man would not have to pay any premium at all.

1568-9. Suppose the result of the high rates on luxuries was that they could not be shipped, then the ship would come home with only half a cargo?—No, she would come home with a full cargo of provisions.

1570. Would you propose to settle a schedule of the articles that would come under the heading of necessities, raw material and food?—Yes, on the principle of having these things all arranged in time of peace.

1571. But the indemnity would in that case also apply only to war risks?—Only to war risks.

1572. I asked you that question because there was a phrase in the *précis* you were good enough to supply me with which I did not quite understand?—Yes, I gathered that was not quite clear. I wrote it in a great hurry. I was telegraphed to supply it at once. But I only mean by war risks risk of loss by the King's enemies, of course, not by others.

1573. You would not consider it necessary to cover loss by detention under Admiralty orders?—No. That is rather a point I would like to enlarge upon. I think the value of this indemnity is not only what I have tried to show, but I think it is in bringing the shipowner under the orders of the Admiralty. I think that might be, perhaps, the most valuable part of the scheme. His indemnity would only stand provided he carried out the Admiralty's orders.

1574. Would not the shipowner be inclined to do that under any circumstances?—If they were well insured I should think a great many would not feel inclined to take not only those precautions, but ordinary precautions; as I have said, not the whole body, but a large number.

1575. Is not there a certain guarantee against cases of that kind in the reluctance of captains and crews to take undue risks?—Yes, that might act in that way, certainly. In the case of the Japanese war that reluctance was not so evident. It meant that they were taken out of a cold climate and shipped home at somebody else's expense.

1576. But in a case in which we were the belligerent the capture of one of our ships would probably be followed by prolonged detention and imprisonment, as prisoners of war, of the captain and crew, I take it?—I do not think the captain and crew of a merchant vessel are prisoners of war. They prefer not to be captured, I daresay. I do not know what the law is, but I do not think they are prisoners of war.

1577. Would they have to be set free at once?—I think they would have to be set free. They would be got rid of as soon as possible.

1578. (*Sir George Murray.*) You are quite clear, are you not, that in a war in which this country was likely to be engaged the insurance on the shipping then afloat could scarcely be covered in London?—Under certain circumstances, such as large captures being effected.

1579. But even before war broke out?—Oh, yes, that could be covered.

1580. Would not the rates be running very high then?—They would be running a good deal higher than in time of peace; but at first they might not run very high.

1581. Could you cover £100,000,000 at 5 per cent., or 6 per cent?—Before war broke out, certainly. I should think so, easily.

1582. In the whole market?—Yes, certainly.

1583. And the difficulty would not arise till the rates went a good deal above that?—No. The difficulty would arise when the losses had to be paid for.

1584. There would be no difficulty in insuring the risk?—No.

1585. It would be in paying the losses?—Underwriters are very optimistic, I think. One does not like to say too much of these things, but, of course, in certain war scares insurance companies have taken lines which to the ordinary mind seem absolutely reckless, when their whole capital and reserves would not pay a percentage of the probable losses.

1586. Then as regards the value on which this 2s. 6d. per annum is to be paid, how often would you revise that in time of peace?—It should be paid annually. It would be in the form of a tax for six months possibly, the 1st of January and the 1st of July.

1587. Then there would be a half-yearly revision of the value. Do you contemplate that?—Yes, or perhaps a yearly revision. I do not know. I have not considered that. Perhaps once a year would be sufficient.

1588. And that would have to be settled between the Government Department and the shipowners?—Yes.

1589. That would be rather a large undertaking, would it not?—No, I do not think it would be a difficult undertaking. It would be done on a principle of writing off depreciation, modified by the value of shipping at the time. A man might argue, and very justly, that his steamer was worth quite as much as it was last year, because although depreciation ought to be written off, the market value of steamers had gone up, or gone down, as the case might be. But I do not think that presents any great difficulty.

1590. (*Sir George Clarke.*) I think you feel very

strongly that it is necessary for us to do something?—Yes, very strongly.

1591. You really think there would be a most serious panic arising out of the inflation of insurance if war broke out as matters now stand?—A great danger.

1592. And you think it is a vital point that some scheme which would prevent that and steady prices should be arrived at, if possible?—Yes.

1593. Do you think the shipowners would pay the 2s. 6d. willingly, that you lay down as the tax in time of peace?—I have not consulted any shipowners on the point. As a matter of fact many shipowners do pay a war risk as it is, and I should think the shareholders in the companies would feel that it was a proper thing to be paid. It is really offering more than the money's worth, because no insurance company would offer to insure a shipowner perpetually, whatever happened, for 2s. 6d. per cent.

1594. Supposing that they did not agree to pay in peace time, would you let them come in just when war seemed imminent, and get the whole advantage of this scheme?—No. That is the crux of the whole scheme. If they did not come in in peace time they would not come in at all.

1595. Then what sort of margin would you give?—They must come in now.

1596. They must come in now, all of them?—Any that wanted to be covered.

1597. And if they do not come in now, no one would get an advantage at all, even if there is not a war for 50 years?—I would not say if they did not come in in a twelve month; but I mean if they did not come in in time of peace. I think they would have to make up their minds, if the offer were made to them, whether they would take it.

1598. At all events you would not admit them if it was obvious that they desired to come in only because they thought the danger of war had arisen?—No. That is the main idea of making a peace premium.

1599. I think you told the Chairman that you did not propose to do anything to help the exporter?—I think it is possible it would be sound for the scheme to include that, but I do not think you would get the scheme carried with that.

1600. On general political grounds?—Yes, on account of the enormous extra cost that it might involve the country in.

1601. If you give the indemnity only to imports, is not there a great temptation to make up bogus cargoes and send them over, if possible, to be captured?—In the first place the shipowner has to come in to make anything of that sort practicable. He has got an indemnity provided he follows the regulations of the Admiralty; and the cargo might be bogus, but the shipowner would have to be a party to the swindle to make any fraud effective. I do not think there is a great danger of that.

1602. Supposing the cargoes to be shipped from America, and to be suddenly sent over here, would not it be exceedingly difficult to have any idea of the real value of these cargoes?—No, I do not think there would be any greater difficulty than is met with now in a marine insurance. It is, as I say, provided for in the contract that the price shall be the invoiced cost, the freight, and 10 per cent. added. The man has to produce his invoices. He has to show what his freight was, and you add 10 per cent. to that, and the value is fixed automatically. That is a matter which is regularly conducted in that way now, and I do not see why the same thing should not apply in time of war.

1603. Of course, the difference is that the one is insurance and the other is indemnity; and under the indemnity, of course, the State only pays for the food and the raw material which it does not get?—Yes. I do not see that it affects the principle of arriving at the value.

1604. Except that if you have got to pay an insurance premium, there is some little restriction arising from the fact that the insurer has to pay for his protection; but there is none in the case of an indemnity—it is all clear gain to the ship and cargo owner?—It is all clear gain in a way, but unless the invoices are forged, there is no difficulty in arriving at that value. In the case of war, of course, the value of the cargo might be much greater than that 10 per cent., but I should not indemnify beyond that. It might be 100 per cent., and very likely it would be, but the man would have no incentive to lose his cargo because he was going to get that paid. He would have every incentive to make it arrive, because he would get his 100 per cent. profit if it arrived, and if it were lost, he would only get his 10 per cent. Therefore, I would not give him the arrived value of the cargo at home.

1605. Would any document have to pass between the cargo owner and the State?—A document before the loss?

1606. Before the loss?—Not before the loss.

1607. Would it simply suffice if the system of indemnity were Gazetted to start from a certain day? Would that be sufficient for all purposes? Would the banker, from whom money might have to be borrowed, lend money on the order in the Gazette?—Of course, he would want his policy of marine insurance.

1608. Marine insurance, yes; but his policy for the cargo?—For the war risk insurance?

1609. For the war risk insurance?—I should think the banker would be satisfied with the State guarantee instead of the policy of insurance.

1610. No paper, then, need pass?—No; he would be aware that this was one of the articles scheduled, and that in case of capture by the King's enemies it would be made good by the State. I should think that would be sufficient for the banker.

1611. Then if no paper passed at all, the value of the cargo would have to be determined after the capture, which might be exceedingly difficult, might it not?—The banker would have the marine policy, would he not? That would be some guide to the value.

1612. In any case the value of the cargo would have to be determined after the capture, which would always be difficult?—Yes. I see no way of avoiding that. I admit it would be much better if it could be avoided, but I do not see the practical possibility of doing it unless you exact a premium, and I do not think that is practicable, or advisable. There are always objections to every scheme. I do not think that is a very great objection.

1613. Do you propose that cargoes should be indemnified when under a neutral flag, or do you propose to confine the advantage solely to the British flag?—In its present state I should confine it to the British flag. In time of war it might be advisable to extend it to neutral flags.

1614. The indemnity does not arise until time of war. It is the indemnity I mean. Would you give that to the neutral cargo, or the cargo carried in a neutral ship?—I should want a little time to consider that. I rather think not.

1615. I suppose anyhow you would extend the principle to Colonial cargoes?—Practically there are no Colonial steamers coming here.

1616. No, but there will be in time, probably. Could you say what is your real objection to the principle of Scheme B, the objection which led you to oppose the dual system?—The difficulty of the State carrying on an insurance business on commercial lines.

1617. But, of course, that is not contemplated in Scheme B at all?—Charging a premium?

1618. Yes, but a fixed premium; not a variable premium fluctuating from day to day, not a premium which it is hoped will recoup everything, but simply a maximum premium sufficient to steady the market generally, that is all?—Yes.

1619. Does not that modify your view at all?—No. It does not meet my appreciation at all. I have discussed that, and read a good deal about it, and I do not approve of it. I do not think it is good.

1620. You do not think it is good, because you do not think it is practicable?—I do not think it is good or practicable. I see no object in the State charging a premium in war time. It would lead to great difficulties.

1621. But you are charging a premium now in your system on ships?—Yes, but that is a premium in peace time. That is not supposed to be a war premium It is a fixed small sum, almost what you might call a registration fee.

1622. Then what is the fundamental objection to a premium being charged for war risks, when war breaks out?—I do not see any object. The State is not going

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to charge an adequate premium, because the premium is the premium of the market. If it is not going to charge a market premium, it would be better not to charge a premium at all. It would be better to indemnify right out.

1623. But you have told us that the market premium is the very thing which will probably prevent our ships running at all?—Yes, I do not want to leave it to the market premium. I think a war is one of the cases where you want to discard the market ideas altogether.

1624. Then if you discard the market ideas, is not that a strong reason for the fixed premium, which is not governed by market ideas at all?—What is the object of the premium? The State is not going to make a business of it. It is not going to make money out of the premium.

1625. It is the same object, of course on another system, as your 2s. 6d. per cent. It is to help the State to recoup itself?—Yes, but it is creating the difficulty of fixing values and all that kind of thing in time of war.

1626. But the values are fixed now in time of peace. I admit it is arbitrary, but still they are fixed, and the point of advantage lies in the fixture of them?—You would have the value of every cargo come into some State Department in time of peace.

1627. Oh, no, merely that a percentage of the value of the cargo and of the ship is fixed in time of peace for a certain route in any war?—That is very unfair.

1628. When you say unfair, surely it would be enormously superior from the point of view of the shipowner to the present arrangement, when, as you have told us, insurance rates may rise to any height?—You say to the shipowner, If you pay this money now in time of peace you will be indemnified in time of war. You say to the cargo owner, If you are shipping food and raw material to this country in time of war, you shall be indemnified, for State reasons.

1629. That is not the scheme at all. You say to the ship and cargo owner, "Now, when war breaks out, you can, if you like, pay so much per cent. on your ship value and your cargo value on certain routes. If you can do better in the open market, you can do it. That payment arranged by the State shall be the maximum that you will, in any case, have to pay." Surely that is not unfair?—Yes, it is unfair, because in case of the premium in the open market being lower, the State would not have the business.

1630. That is perfectly true?—But in the case of the man who wanted to run a very risky adventure, he would go to the State and say, I want your policy. It is not fair at all to the State or to the competitors.

1631. Of course, the extreme risk would be governed by the fact that he would have to comply with Admiralty regulations, which would avoid anything of that class. We have been told here that underwriters are very good judges of war risks. Do you take that view, or do you think they are liable to be very much misled?—I think underwriters may be presumed to know their own business, but I think they are led away from a right judgment by force of competition. They very often do a thing against their own judgment, because they are obliged to, because their competitors are willing to do it and they will lose all their business unless they do the same thing.

1632. You mean their judgment on the measure of the risk would be good, but it is liable to be vitiated by the difficulties of competition?—Yes, I think in case of war the State would be very much better able to do justice and give people satisfaction, than the underwriters would.

1633. When you said that we might find ourselves in the China seas in as hopeless a position as the Japanese were in the Mediterranean, what kind of war were you contemplating?—I do not think it is impossible we might have war with Japan one of these days.

1634. In no other case would that hold?—Of course, America I hold to be almost an impossibility, but it would apply in that case.

1635. Could you tell us whether it has been usual to include marine risks with war risks when war risks have been taken out, or are they always treated separately?—In times of peace it is very usual to have the two together. In times of war, I think, underwriters are sharply divided into two classes, those who are willing to take war risks, and those who are very unwilling to do it, and you will find the risks taken separately. But the difficulties that I have read about as to questions arising as to which policy a loss would come upon, whether a war policy or a marine policy, are very much exaggerated. Such questions are always liable to arise, because, as I say, the war risk and the marine risk in times of war scare or in times of war are, as a rule, divided.

1636. So that if anything of the nature of Scheme B were decided upon, the ordinary marine insurance would go on as usual?—Yes.

1637. And it might be possible to take the values accepted for the purposes of marine insurance for the purposes of the war insurance?—A very unsafe guide, I should think, because if a man wanted to commit a fraud as a war risk, to get a steamer captured, he would magnify the value of his sea policy to any extent, and the underwriters would not mind, because they would know that it was not a sea risk the ship was running. In some cases the sea risk might be worth 5s., and the war risk might be worth 50 guineas. If you are going to accept the marine policy as the value in the war risk, a man could insure for ten times the value of his cargo and pay 5s. per cent. for the marine insurance, on the chance of his getting a war policy at the same figure.

1638. Because on the hypothesis he is going to get his war risk taken at a fixed low rate?—Yes.

1639. It is not a question of 50 guineas per cent. for him?—No, it is a question of 10s.

1640. Perhaps not that; but it is not a question of 50 guineas?—That is the sum that I heard mentioned.

1641. Are there any associations of underwriters or of shipowners who agree to compound their war risks?—Yes, clubs. They are absolutely useless, I should think; a delusion and a snare entirely.

1642. The nature of the agreement is simply that any risk which falls upon any member of the club is shared?—Yes, and therefore those that run the big war risks would get their money out of those who took the safe course. It is absolutely nonsense.

1643. But such things do exist?—They do exist. I wonder how they can. They do not cost anything to belong to, that is the reason.

1644. (*Mr. Beauchamp.*) There are practically two schemes, the scheme of free indemnity and the scheme of purchased indemnity?—Yes.

1645. The purchased indemnity scheme could only come into operation after the outbreak of war. Do not you think there would be very great difficulty in a Government department carrying on a business of that nature after the outbreak of war?—Yes.

1646. It would be almost impossible to get anybody to supervise efficiently a department of that kind?—The whole thing would be in a flurry and scare.

1647. And therefore you are in favour of free indemnity rather than purchased indemnity, as far as regards the cargo?—Yes.

1648. The cargo is not to pay anything, only the ship?—Yes.

1649. I do not quite understand your reason for calling upon the ship to contribute and not the cargo at all. The ship would contribute in time of peace, you think?—Yes.

1650. Do you think you would get hold of a little nucleus of money?—No, that it not the idea so much as that I think there is a great concrete advantage to the shipowner. He can see his risk more plainly than the cargo owner or the merchant. It is more easily realised by the shipowner that there is this risk, and it is one that I should have thought is worth getting rid of for such a small payment. The values are very much less also.

1651. And you would charge the same fee to the tramp steamer as you would to the fast steamer?—Yes.

1652. You would put them all on the same footing?—Yes, but I do not think you would be able to charge it to any but steamers engaged in foreign trade. I do not know about that. That is a point I should like to consider.

1653. Of course, there are certain lines who do not insure against marine risks at all. Do you think

they would come into a scheme of that kind? You see, some of those companies can insure their risk against a total loss from a marine peril for about 17s. 6d., or 1 per cent., and we should be asking them to pay 2s. 6d. for a problematical risk. Do you think they would come in under those circumstances?—I should have thought they would have come in. I should think, if the shareholders and directors were all consulted, they would say it was worth while coming in. But I think possibly a managing owner who had got to produce a balance-sheet would kick at paying. I do not know. I am not qualified to say what the shipowners would think about it. I should have thought it was a good offer to make them.

1654. Of course, the amount of business done in any one day, the number of different risks, is something enormous, is it not?—Yes.

1655. Have you any rough idea of what might be the number of policies taken out in London only in one day?—I do not know. I have never thought about it. I should think something like fifty to a hundred thousand policies a day.

1656. All those policies, under any scheme of payment of some form of premium, would have to go through that one department which is to be erected after the outbreak of war?—That is it. It amounts to that.

1657. And that would render it practically impossible to carry out after the outbreak of war?—Exceedingly difficult; practically impossible.

1658. Your desire to see something of this kind is to keep down the price of food and raw material?—Mainly.

1659. That is the one great object?—Yes, and maintaining the supremacy of our commercial marine.

1660. You think that the price of food and raw material would go up very considerably after the outbreak of war in consequence of the rise in war premiums?—Largely in consequence.

1661. I mean to say that would be one of the factors?—Certainly.

1662. And you think that a war premium, if war broke out, say, between this country and Germany or France, would be very considerable?—I think it might be very heavy indeed.

1663. Have you thought out any of these wars, and what the premium might be in any particular war?—As I say, it would be entirely a matter of imagination.

1664. It is guess work?—It is guess work.

1665. But supposing we were at war with France, for instance, have you formed any idea at all what might be the probable rate of premium on grain from the Black Sea through the Mediterranean?—Straight away, as things exist now?

1666. Of course things have to be very high to increase the cost very much. I wanted to know whether you had formed any idea of what the premium might rise to?—Supposing war broke out to-day between France and England, I personally should not be inclined to write steamers from the Black Sea at five guineas per cent. against war risks.

1667. Do you think that if we were at war with Germany there would be much danger of capture of ships coming from the United States or Canada with grain?—No, I should not be inclined to think that was a great risk. It might develop into one, though, in a very short time, in consequence of fast cruisers, or something happening. Of course, the Mediterranean risk is a much greater risk.

1668. And coming up our Channel, do you think the premium would be very heavy if we were at war with France?—At first I should think, before anything happened, you would get underwriters to write it at 1 per cent., but if any vessels began to be captured it might go up to 20 at once.

1669. The premium would be jumpy?—Very jumpy.

1670. If we had news, for instance, of a couple of vessels being captured on a particular route, that would cause the premiums to rise very quickly?—At once. It might be impossible to cover a cargo at any reasonable price.

1671. And as the premium rose the market would become smaller and smaller, would it not?—Yes, certainly.

1672. (*Sir Thomas Glen-Coats.*) Do you think there would be much less risk of captures or detention on cargoes carried in ships sailing under a foreign flag than under our own flag in time of a European war?—Bringing cargoes to this country?

1673. Yes, ships under a neutral flag?—It would depend on what the enemy declared to be contraband of war.

1674. But I mean the food stuffs?—If they declared food stuffs to be contraband of war, which would be quite possible, and probable, I think it would be equally difficult with foreign flags.

1675. Then I think you say you are doubtful whether you would extend indemnity to the cargoes of ships sailing under a neutral flag?—Yes, I was in doubt about it. I have never considered the point.

1676. What about the ships themselves? Would you be inclined to extend this insurance scheme of paying a small premium of 2s. 6d. per cent. per annum to any ships except our own?—No; none except our own.

1677. If this were adopted for our own protection, would not this almost prevent foreign ships from carrying food stuffs to our country, or would it not be the case that the premiums would be so high that they could not compete with our own ships?—Yes, it would be favouring our own ships certainly. It would not increase the difficulty of the others, but it would be favouring our own.

1678. Do you think we have sufficient capacity in our own ships to carry all the food stuffs and raw material that would be required during that time, supposing ships under a neutral flag were debarred from the indemnity?—Yes; I should think so.

1679. Then in that case the cost of freight would not rise very much?—It would not rise owing to a large war premium being charged, but there would be other conditions which would make it to rise to a certain extent; the price of coal, for instance, or the detention necessitated by the Admiralty regulations. Freights would rise, no doubt, but to nothing like the extent that they would in case a heavy war premium had to be paid.

1680. My point was rather this, that if the capacity of our own ships was insufficient to carry all that was required in the way of foodstuffs and raw material during time of war, then we would require to employ ships that were sailing under a neutral flag. They could not carry at the same rate as our own ships. They would put up their freight to a higher rate, and naturally our ships competing with them would put up their freight?—I see the point. It would be always possible in a matter of that sort to offer an indemnity.

1681. To bring them in just at the last?—Yes. That was done in the last war. The Russians gave the British shipowner an indemnity against capture. The British shipowner thought so little of the value of the indemnity that he preferred to insure with the companies.

1682. Would you propose that our ships should begin to pay this 2s. 6d. at the present time, and let the foreigner in at the last moment?—You would not let him in for nothing.

1683. Not at the same rate?—Oh, no. It would only be in an emergency, as I say.

1684. Might not that amount almost to as much as a war premium with underwriters?—No, it would not amount to as much as a war premium. Of course, it is a very problematical thing we are discussing, but it would be quite possible for the British Government to offer an indemnity to a neutral flag to bring in cargoes, on the ground of absolute necessity. You must have your food. But it is almost impossible to contemplate the state of things that our own ships would be unable to bring it. I do not think it is any practical objection to this scheme of indemnity. The possibility might arise, and it would have to be dealt with.

1685. (*Captain Ottley.*) The objects of our scheme really, I think, are two-fold. One is the idea of preventing enormously enhanced prices, and, therefore, terrible distress in this country, and the other object of our scheme is as far as possible to foster the British flag as distinct from the neutral flag?—Yes.

1686. We think that the British shipping industry is our premier industry, the breath of our national life, and we think that we ought to support that; so that there are two distinct objects. I should like to ask you, in the light of those two objects, what you think would be the effect of a cargo of grain coming in a neutral ship from America if the enemy declared

Mr. S. A. Boulton.

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that cargo of grain to be contraband. Would the United States stand that, do you think? The United States being a neutral, and this being a cargo of grain owned by the United States, consigned to the United Kingdom, do you think the United States would calmly look on and allow that cargo of grain to be captured under a neutral flag?—They might not look on calmly, but they would have to look on, I think.

1687. And in the event of that sort of thing being continued largely, large quantities of American grain ships being captured, do you think the people of the United States would not raise a tremendous outcry against the enemy?—Yes, I think they would, but it would not do them any good. They could not enforce the outcry.

1688. You do not think that the effect might be to compel the United States Government to deliver an ultimatum to the enemy to say: "This thing must stop; it is not true contraband of war, and it must stop"?—No, I do not think the United States would have any voice in the matter at all. They would have nothing to back them up with.

1689. (*Sir George Clarke.*) They have a tremendous navy?—Yes, but not to use in foreign waters. I do not think that for the sake of a few grain cargoes the United States would scatter its navy into European waters.

1690. (*Captain Ottley.*) You do not think it might turn the scale. If one imagines one branch of the Anglo-Saxon race at death grips with a Continental power, and then this additional aggravation to America, you do not think it would bring America into the difficulty?—No, I should not place any weight on an argument of that sort at all.

1691. I quite understand your view. There would be some kinds of merchandise that would not be contraband of war?—Yes.

1692. Let us take, for instance, raw cotton. Raw cotton is not contraband of war by the hypothesis?—No.

1693. There are two ships starting from the United States, one under the British flag with raw cotton, the other under the American flag with raw cotton. Would they each pay the same war premium, or would not the American ship pay a very much smaller premium?—At the present time, you mean, with no indemnity scheme?

1694. No, I am talking of matters as they stand exactly at this moment. There are two ships, one of them under a neutral flag, the other under a belligerent flag, both of them laden with goods which are not contraband of war under the Treaty of Paris. The belligerent ship is liable to capture, and the other is not?—Of course, the premium would be higher on the British ship.

1695. The British ship, then, would have to pay a higher premium in order to obtain the same security?—Yes.

1696. It appears to me that that is tantamount to saying that the neutral ship can take her cargo at a much lower freight, so that if we have got those two ships in New York Harbour, one with the British flag up, and the other with the United States flag up, the one with the United States flag up would get the cargo?—Yes. The difference in premium might not be very large.

1697. Do not you think it would be large. Suppose there was a war with an Atlantic power, such as France, do not you think the war premium on the British ship might be a considerable thing?—A cargo of cotton?

1698. The British ship is liable to capture?—I know the British ship is, but there is no object in capturing a British ship if it is bringing a cargo of cotton. It is not the same as attempting to starve the country out.

1699. There is the same object as there is in capturing any other ship. The great object is to destroy British shipping?—Yes, that would be one of the objects. As I said before, I do not think the premium from the United States, in the event of a war between us and France or Germany, would be very high, unless some circumstances arose which showed the risks were very great. *Primâ facie*, the risk is not a very large one.

1700. Then instead of taking it from the United States, shall we take it from the Black Sea?—Yes. Then you get into food, you see; you get into contraband of war.

1701. (*Chairman.*) May I interject one question before we leave the cargo from the United States? Suppose we were at war with France or Germany, what is your idea of what the premiums would be, in the first instance, for a voyage across the Atlantic?—In the first instance, 1 per cent. or a ½ per cent.; something of that sort.

1702. (*Captain Ottley.*) You do not think it would be more than that; but for what it is worth it would be payable by the belligerent ship, that is to say, the British ship, and not by the neutral competitor?—Yes, it would be a handicap on the British ship to some small extent.

1703. The argument, as far as it goes, seems to show that war premiums paid by the British ship are tantamount to a bounty on the neutral ship?—Yes.

1704. It seems to me that is perhaps one of the arguments in favour of the scheme which you have put forward, a scheme of indemnity rather than a scheme of insurance?—Yes.

1705. Do you think that your indemnity, which is to be paid in peace time as well as in war, might take shape in something very small, such as a stamp duty on ordinary insurance policies *pro rata* on the value; that if you are insured for £30,000 you might probably pay £10 for your stamp duty?—Do you mean to make it smaller than an ⅛ per cent.?

1706. To make it something extremely small?—Yes. I think possibly it might be advisable to make it a good deal smaller than an ⅛ per cent., as I say, merely a registration fee really, the object being to settle values and questions of that sort, and not much importance being attached to the amount of income which might be derived from it.

1707. It would be possible to work out. Mr. F. Bolton, your namesake at Lloyd's, has formed some conception of the kind of total sum that the country might find itself pledged to pay if it adopted either this form of insurance or an indemnity. I think he finds the total destruction would be somewhere about £5,000,000. But no great naval war has taken place with this country for something like 90 years?—No, that is the difficulty of the whole thing.

1708. Therefore it seems to me it might be possible to calculate something extremely wrong, but on the assumption that we get another 20 years of peace we might see whether we could roll up £5,000,000 without putting a very heavy tax upon our shipping in peace time?—I calculate that the tax of an eighth per cent., if every steamer had to pay it, would produce about £200,000 a year.

1709. That would be £2,000,000 in ten years?—Yes.

1710. That would be £4,000,000 in 20, or £5,000,000 in 25 years?—Yes.

1711. That is what we want?—But I am not so optimistic as my namesake. I should be very pleased to think that the country would not be liable for more than £5,000,000. I would not say that it would not be liable for £50,000,000.

1712. Of course it must be pure guess work?—But £5,000,000 is really staggering in its moderation.

1713. Yes, I must say I was astounded at the moderation of it?—When you consider that taking Vladivostock alone the losses were £2,000,000 in that one place.

1714. Yes. I have two or three questions more particularly of a naval character which I should like to ask you bearing upon this point. You compared the merchant ships to a flock of sheep at the mercy of a wolf. I think that is a very excellent comparison, more particularly because the appetite of the wolf is a limited factor. Do you imagine that an enemy's cruiser would be able to send her prizes into port. More particularly take the case of Germany, for instance, capturing prizes in the Atlantic?—No, I think the only war that would give facilities for sending prizes into port would be a war with France, in the Mediterranean. If they were not shut up by our fleet in the Mediterranean, they would have every facility for doing that. But I have a lower view of human nature in that I think if we had a war with Germany they would sink our ships.

1715. Do you think they would sink officers, crew,

passengers, and all?—No, I do not think they would do that. They would send them off in steam pinnaces, and put them on the coast, or something of that sort.

1716. Then supposing the weather was so bad that they could not take the crew off, just an ordinary half gale of wind so that boats would not lie alongside, in that case what would happen?—I do not know. I do not think they would murder the crew.

1717. They could not murder the crew, obviously; at least I do not think they could. But in the case that you think would be the more ordinary one they would take off the passengers, the crew and captain and everybody, and sink the ship?—Yes.

1718. Supposing an enemy's cruiser captures three or four vessels while she is out on patrol, what is she going to do with the crew and passengers of those vessels. I imagine a single Atlantic liner would fill her chock full?—Yes, she would have to get rid of them. As I say, they would land them with steam pinnaces. It does not matter where they land them. It is not like coaling, or anything of that sort.

1719. Of course the trouble is that directly they make the land we pick them up, and one hopes we should capture them. They must keep clear in the blue?—Yes.

1720. If you imagine the case of an enemy's cruiser under modern conditions, we must assume *ex hypothesi* that the captain of that ship is aware that the British Fleet is in superior numbers, so that every time he sees the smoke of a vessel on the horizon he is in two minds; she may be a merchant ship, or she may be an enemy's cruiser. How long do you think this operation of taking off the men would take in ordinary weather?—Of course I cannot speak as to that. I am not a seaman.

1721. Do you think it might take two hours?—I think it might be done in less than that. I do not know.

1722. Possibly it might be done in less. However, I was asking you. Suppose we say an hour?—Of course it is a subject on which you know a good deal and I know nothing at all. I should have thought it might be done in an hour.

1723. During all that hour the enemy is in this uncomfortable position. He has to sink the ship or else leave her afloat, and the process of sinking the ship may take some time. So that I think what was really in Mr. Bolton's mind when he came to this comparatively low estimate was the consideration that these difficulties under modern conditions would make it relatively not so easy as it was in the old times?—It is possible. I hope so. Still it is a matter of guesswork even with the greatest authorities.

1724. (*Chairman.*) You have said, I think, more than once in answer to questions that your great object in having the one-eighth per cent. premium is to fix values in peace time apart from scares, and that your desire is that if war breaks out and a loss is incurred, no scare value should be paid for the ship?—Yes.

1725. But you recognise that in peace time it will be necessary to revise values say annually?—Yes.

1726. That would involve their being also revised after war had broken out?—Not unless the war lasted more than a twelve month, and even then it would not be necessary.

1727. Probably the policies on some of the vessels would expire. There would be some vessels on which the policies expired on each day of any given year?—No; I think I would make it like a licence, expiring all on the 1st January, to simplify the thing.

1728. Then suppose war broke out in November, it probably would not have been concluded by the 1st January next; how would you arrive at the values on that 1st January?—In case of war the value fixed in peace time would stand.

1729. Until the conclusion of the war?—Yes.

1729*. (*Sir George Clarke.*) It was suggested to you that the whole business of insurance under such a system as Scheme B, perhaps to the extent of £100,000 in premiums a day, would have to be carried out by a State Department created in a great hurry at the outset of war. Do you see any difficulty in handing the State premium forms over to underwriting firms and asking them to complete the business on behalf of the State, on commission?—Yes, I think there would be great difficulty in that.

1730. We have been told by some witnesses that it could be done. Could you say what the difficulty would be?—I think the difficulty of organising such a thing as that in time of war is evidently very great, and must be very great. Everybody is more or less panicky and excited; people are not calm, and their business is being interfered with all round, and unless the whole thing is cut and dried beforehand I think there inevitably will be great difficulties.

1730*. But supposing it could be absolutely cut and dried, and the State merely handed out to the underwriters certain forms, and they did the rest on behalf of the Government, receiving a commission, do you see any absolute objection to that?—As a business arrangement, I should never give a power of that sort into the hands of people that I knew very little of. You hand over the whole risk to people who are not going to run any risk themselves. You say, you may take as much risk as you like for me, and it does not matter; you lose nothing, whatever happens. I think it is a large power to give anybody. It is only when you have great confidence in a man that you put such power into his hands.

1731. Of course, there is no latitude whatever except, possibly, over-stating the value?—He charges the State premium.

1732. He charges a premium laid down in a perfectly simple, straightforward schedule. He has no discrimination except as to the value?—I am opposed to the scheme. I think the whole scheme is so impracticable and unbusinesslike, to charge the same premium for everything. It is like charging the same price for any article.

1733. Of course, the proposal might not be to charge the same premium for everything, but to charge a special premium on special routes?—Then you are going into the whole scheme of insurance business if you vary the premium; you have either to take the market price or you have not.

1734. The theory is that the premiums should be settled to-day, so much for a certain portion of a route, so much for another portion, cutting the world, as it were, into zones, with a special rate in each. That may be settled to-day, if we choose. Considerations of insurance work do not enter into that; it is quite arbitrary?—Yes, I know.

1735. So is your 2s. 6d. perfectly arbitrary. It does not bear any relation to the risk?—Not at all.

1736. They are both arbitrary?—Yes, but either you have got to charge one premium for the whole world or you have to cut it up into routes, as you say, and you do that all in peace time, and when war breaks out you may have a risk, which you have fixed at 10s. for the route, that is worth 10 guineas, and a risk that you fix at 10 guineas which is worth 2s. 6d.

1737. But you have done everything that is necessary; you have steadied prices and stopped panic in our trade?—But I do not see how you steady prices and stop panic in our trade by charging a premium. I think the premium is no essential part of that plan at all. It is better without it.

1738. But you have said it is the sudden rises and fluctuations in premiums which alone could give rise to the panic. If you remove all those fluctuations where does panic come in?—I say you do not effect that object by charging a premium. You might just as well charge no premium. The premium is an element of difficulty without being an advantage.

1739. I cannot follow that. The question is not the premium so much as the capriciousness of the premium, the sudden bound and the sudden fluctuations, perhaps from day to day. Then I will sum it up that you think that any form of premium, however low, and however calculated, will not effect the object that we have in view?—Yes; I say the payment of the premium will not effect the object.

NINTH DAY.

Monday, 25th March 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. ARTHUR LINDLEY.

Mr. GEORGE H. DUCKWORTH, *Secretary*.

Mr. JAMES THOMPSON BINNING, called and examined.

Mr. J. T. Binning.

25 Mar. 1907.

Mr. Binning, in a preliminary memorandum,* had submitted:—

(1) That in the opinion of the Liverpool Underwriters' Association it is not desirable for the State to undertake either of the schemes ("A" and "B") before the Committee.

(2) That it has not been proved that either scheme would secure to the nation the object desired, viz., an adequate supply of food and raw material in time of war at prices not unduly inflated.

(3) That the cost of war insurance is not the only factor in the increase of prices in wartime, and that there is no evidence that it alone would be a serious deterrent to the importation of adequate supplies

(4) That the existing facilities for covering war risks are adequate for the purpose, and would not be more expensive to the nation than either of the schemes suggested.

(5) That the schemes in question would hinder commerce.

1740. (*Chairman.*) You are chairman of the Liverpool Underwriters' Association, I think?—I am.

1741. And you come before us to-day to represent that Association?—To give you as far as I can their opinion on the schemes which are before this Committee.

1742. The Liverpool Underwriters' Association have had before them the two draft schemes, have they?—Yes.

1743. And the views which you are going to put before us are the conclusions at which they have arrived on consideration of those schemes?—Quite so.

1744. Briefly put, I think their view is that the schemes would not secure the desired result?—Yes.

1745. And that they are unnecessary and unworkable?—I should not say unworkable. We think that these schemes would be more expensive than the present system, and would therefore not attain the desired object for that reason.

1746. Would your criticism apply not merely to the two drafts we sent you, but to any scheme of State guarantee which you can conceive?—Not necessarily so. I rather think that these schemes miss their mark in tending to put a premium on losses rather than on arrivals. I take it that the object of the Government is to secure as far as possible the import of food, and to encourage shipowners to keep their ships at sea; and I hardly think that that result would be so well attained by paying the man who succeeds in getting his ships captured by the enemy as if the man who succeeded in importing the food were paid. I can conceive of a scheme being devised which would accomplish that end.

1747. Is your first objection to the schemes that we have put forward, that they would encourage shipowners to recklessness, or perhaps even to fraud?—That might be. I think shipowners undoubtedly would take greater risks than they would do if a scheme of this kind did not exist.

1748. Supposing there were no scheme at all, what do you imagine would happen on the outbreak of war? Would there be a great rise in insurance?—There would undoubtedly be a considerable rise in insurance, due very largely to the fear of capture. Probably the fear of capture would have a greater effect on prices in this country than the actual captures themselves.

1749. What in your view would be the result of that rise in insurance rates?—That would be one of the factors of rising prices—not the only one, and not necessarily the largest.

1750. Would it, do you think, check the importations of food stuffs and raw materials to any great extent, or would they be able to stand the increased cost?—I think the competition amongst underwriters is so great that the premiums would not be unduly high. It rather seems to me that these schemes are based on the assumption that there would be a panic amongst underwriters in the event of war.

1751. And you do not think that likely?—I do not.

1752. On ordinary occasions is not the market for war risks a very limited one?—I do not think so. I think our experience in the last two wars, the Spanish-American war and the Russo-Japanese war, has shown that there is a very large market for war risks in this country.

1753. Can you give me any indication as to the size of the Association which you represent?—Our Association is composed chiefly of a number of large marine insurance companies. There are a few private underwriters in it, but it is chiefly composed of marine insurance companies with large writing power.

1754. Could you give me any idea of the volume of marine risks which they habitually carry at any one time?—I have not those figures with me, but they are very large indeed.

1755. Do most of the companies represented in your Association take war risks as well as the ordinary marine risks?—A number of them have done so in these last two wars.

1756. Speaking generally of the insurance world, would it be true to say that there are a great number of people who will underwrite a marine risk, but will never look at a war risk?—That has not been my experience. No doubt there are some, but I should think they are in a minority.

1757. It has been suggested to us that the volume of shipping and trade to be insured in the case of a great naval war in which we were engaged would be so vastly superior to anything of which we have experience, that it would be impossible to insure it at all; but I gather that you do not share that view?—We do not share that view in Liverpool. I think our view is, as stated

* *Vide* note, p. iii.

in the *précis* of my evidence, that the existing facilities for covering war risks are adequate.

1758. But I suppose that in the first weeks of a war there would be considerable captures?—No doubt there would be.

1759. I think one witness recently said to us that under such circumstances the market for war risks would dry up and vanish?—I cannot conceive such a state of things, unless credit was so much impaired in this country that there would be nobody to handle the cargoes if they arrived.

1760. In your view, therefore, the ordinary companies and private underwriters would be quite equal to taking the whole of the risks?—I think so.

1761. And would take them at reasonable premiums? Yes, I think so. Hitherto there has been no evidence. I think, that war premiums have been excessive. Of course, under certain circumstances they might be—under similar circumstances, for instance, to those in the Russo-Japanese war, where contraband was being taken into Vladivostock; then, of course, the premium must be high. But in the case of Japan the premium was comparatively a low premium, 2 per cent. probably.

1762. At any time during the war?—Perhaps it may have been 3 per cent. at the first, before there was reason to believe that Japan would be stronger on the sea. There was a little doubt at first as to whether she would be very much stronger than Russia.

1763. After Russia had captured or sunk one or two vessels in the Red Sea and in the Nearer East, were those moderate rates still maintained?—They were still maintained. Of course, when the superiority of Japan was demonstrated, the rate fell away to a very nominal one.

1764. What are the other circumstances to which you referred just now which would tend to raise the prices of food and raw materials?—On the apprehension of war, all markets are more or less manipulated. I take it that would be the case with the cotton market, the corn market, and the freight market also. The extent of the uncertainty would at once be made the most of, and all the market devices would be used to raise the price of various produce.

1765. You do not think, I gather, that any considerable proportion of our shipping would be laid up in such a war?—I do not think so. I think, as a rule, war times are very good times for shipowners. There is a great deal of money to be made in them.

1766. Of course, if we were one of the belligerents, our shipping would be exposed to a risk which the neutral shipping would not run?—Yes, no doubt it would.

1767. The insurance, therefore, both on our ships and on English goods shipped in British bottoms, would be considerably higher than the insurance on neutral ships or on British goods shipped in neutral bottoms?—No doubt.

1768. Would that not have a very adverse effect on the shipping trade?—Yes, and I suppose it might tend to make shipowners see if they could not get round it in some way.

1769. In what way could they get round it, except by a transfer of their shipping to a neutral flag?—I do not know, and I do not know whether they could transfer their shipping to a foreign flag. I should think it is very doubtful if it would be allowed after the outbreak of war.

1770. I think you may take it that a *bonâ-fide* transfer, made even after the outbreak of war, would be, and ought to be, recognised by a belligerent; we have certain cases decided in our own Courts to that effect at any rate. But you are not afraid of the extra risks run by British shipping, resulting in that shipping being either laid up or transferred?—No. My view is that if we went to war it would be a very short time before shipowners could see exactly what the effect of the war was going to be, and would act accordingly.

1771. But there might be three or four months of uncertainty to begin with?—Yes, possibly, but probably not as much as that. I think probably shipowners would see their way before that, and decide as to what their action should be. Of course, if the fortunes of war were going very hardly against this country, I can quite understand their transferring ships largely to a neutral flag.

1772. But even supposing the war to proceed successfully, might it not be the case that in the early stages of the war our naval supremacy had not entirely made itself felt, and that there would be considerable captures?—I think there would be considerable captures at first, if the enemy, as no doubt they would, directed their attention entirely to our commerce and our food supply. *Mr. J. T. Binning.* 25 Mar. 1907.

1773. Let me suppose the case of a war with France; there might then be considerable captures in the Channel perhaps?—No doubt.

1774. What effect do you think they would have upon rates? Suppose there were a certain number of large captures in the first week of war?—The rates of premium would rise accordingly.

1775. Might they not become almost prohibitive?—Not necessarily. In the case of contraband and other produce that was imported into Vladivostock, the rates were 25, 30 and 35 guineas per cent., possibly 40 guineas per cent. in some cases.

1776. Of course, any rates like that upon raw material would kill a great part of our manufacturing trade?—Yes, if they existed for any length of time.

1777. Even for a very short time they would produce very serious distress, would they not? If, for instance, cotton were exposed to rates like that, the distress in Lancashire would be very great?—It would, no doubt. But then I think the war rates would vary very considerably if there were communication between the Admiralty and underwriters. If underwriters were given to understand what protection was likely to be given, their rates would be modified accordingly.

1778. Do you conceive it possible that, situated, as we are, rates should rise to such a figure as 30 guineas, for instance?—I think things would have to be in a very bad state indeed before that happened

1779. Supposing us to be at war with either one great European power, or a combination of two great European powers, can you form, in your own mind, any idea what the rates on corn or cotton from America, say, would be likely to be?—I am afraid I cannot, without knowing the exact circumstances. I think they would be fixed entirely according to circumstances.

1780. (*Sir George Murray.*) Let me put it in another way: What do you conceive to be the maximum rate which our shipping and foreign trade can stand, without serious inconvenience and without a serious risk of transfer to a foreign flag?—I really have never thought of it. I think that is a question for a shipowner or a merchant rather than an underwriter.

1781. (*Chairman.*) In the *précis* that you have given me, you say that the schemes before the Committee would be "commercially unworkable"; would you explain your views on that point rather more fully?—I take it that a large State department would in any case be constituted under either scheme, and it seems to us in Liverpool that the cost of working that would be very much greater than the cost of the present system. We do not see how any committee, however expert—I think it is called a board—is going to fix premiums and assess values and pay claims with what shipowners would understand to be promptness, without at the same time admitting a great deal that is improper and, possibly, even fraudulent. There would be such a congestion of work in such a department, that we think it would be more expensive on that ground alone.

1782. You notice that there is a difference between the two schemes. Scheme B requires from the shipowner the payment of a premium or a contribution in return for the guarantee which he receives, while scheme A has no such provision. Would it not be possible to work Scheme A without such a large department as you have suggested?—I do not think so. Scheme A would be more largely adopted and availed of by the shipowners than Scheme B. I think, in the case of Scheme B, the shipowner would, in the first place, go to his ordinary underwriter, and if his ordinary underwriter quoted a reasonable rate, he would do his insurance with him; but if his ordinary underwriter quoted a high rate, he would insure with the Government.

1783. That probably appears to you a very unbusinesslike arrangement?—Personally speaking, I should welcome that scheme, because I think it would relieve me as an underwriter from all the bad risks, and would saddle the taxpayer with them.

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1784. Of course the object is to prevent the premium rising to such a height as would seriously interfere with trade?—Quite so.

1785. Your answer to that, as I gather, is that you do not think it is necessary, because you do not think that the premium will rise to a prohibitive rate in any but very exceptional cases, and for very short periods?—Quite so.

1786. But in the case of Scheme A, where there is no premium, the State would only be concerned to investigate the cases of losses or alleged losses?—That is so.

1787. Instead of having to value every ship and every cargo, and to issue a policy on every ship and cargo that sailed, it would only investigate values where a claim for loss was made?—That is so.

1788. Would that be, in your opinion, an impossible task?—It would be a very serious task, if prompt payments are to be made. There is another point, I think, which is not provided for here, and that is delay and demurrage. It seems to me that that would have to be met, otherwise the shipowner would not avail himself of Scheme A. I take it that the Admiralty would lay down certain regulations for the shipowner, and he would have to obey those regulations, and that might lead to very serious delays.

1789. Would it not be to the interest of the shipowner to obey those regulations or to listen to that advice—even if it were mere advice—quite apart from any scheme of this kind?—It would, but it adds to the cost to the nation, because the shipowner has to pay his crew during the time that the ship is kept waiting, and has to pay for provisions, coal, and what not. All that cost is going on all the time, and he has to get that from somebody—either in his freight or in some other way.

1790. But he would have to get it whether he was insured or guaranteed by the State or not?—Undoubtedly, but I take it that if he were not insured by the State, he would be absolutely free to do what he likes. With his ordinary underwriter he would be quite free—within the limits of his policy, of course. There might be warranties in his policy that he should not do certain things, but within those limits he would be quite free to go where he liked and to go when he liked.

1791. I presume that such instructions would only be issued by the Admiralty with the object of preventing the ship being captured by the enemy?—Quite so.

1792. Would not the underwriter need the same protection against the shipowner wilfully throwing his ship away, or taking a risk which practically amounted to a certain loss?—We have not, of course, to deal with those cases now, but we have the machinery and the organised facilities for information which enable us to deal with cases of that kind. I think that the fact alone that we have those organised facilities, and also the facilities for salvage in the case of loss, in the case of stranding, and so forth, through associations which are not working for profit, are all points in favour of the present system. The Government would have to pay salvage companies, and probably would have to pay fairly heavily, and it would hardly have the other facilities that we have—all the accumulated information that we have, for instance.

1793. It is not suggested that the State should guarantee the shipowner against marine losses under any circumstances?—No, I understand that; and there might be further difficulties there. The conflict of interests between the Government and the ordinary underwriter would become apparent in certain cases.

1794. As for instance?—As for instance in the case of a missing ship, or any other case where the loss could not be absolutely proved to have arisen from a war peril or from an ordinary sea peril.

1795. Is there not a rule of practice already prevailing in the insurance world in such cases, and is not the loss presumed to be a marine loss unless it is proved to be a war loss?—That, no doubt, has obtained, but I do not know whether it could be relied upon to be acted on in all cases. I take it that if there were a likelihood of a vessel having been lost by a war peril, the ordinary underwriter would probably decline payment without further investigation, and would delay payment. In the same way the Government would probably refuse payment. While the underwriter and the Government argued the matter out, the shipowner would have to lie out of his money.

1796. It happens now, does it not, not unfrequently, that a man is insured in two different offices, or on two different policies?—Yes.

1797. On one policy for the war risk, and on another policy for the marine risk?—Yes.

1798. So that the conflict of interest may arise now?—Yes, it may; but in most cases the shipowner and the shipper or merchant would prefer to have the war risk covered by his own underwriter who has insured the goods, and when he can do it without undue expense he does so.

1799. Does the ordinary policy cover loss by demurrage for delay?—No.

1800. What happens then at the present time in regard to the loss from delay?—The shipowner has to bear it.

1801. I understood you to put that as an objection to any scheme of national guarantee?—No, I do not put it as an objection, but I think it is a question that will have to be taken into account. If the shipowner is to be subjected to a serious delay by the Admiralty or by the Admiralty regulations, then I think you will have to take that into account, otherwise he will not avail himself of the scheme.

1802. Of course a shipowner who deliberately refuses to abide by the Admiralty regulations, or to listen to Admiralty advice, may be assumed to be taking a very great risk?—Undoubtedly he would.

1803. Under those circumstances he would want to insure himself somewhere?—Yes.

1804. If he went to an underwriter and disclosed to the underwriter the fact that he was advised by the Admiralty not to sail because of the presence of an enemy's cruiser, we will say, or of an enemy's fleet on the route, but that he intended to sail all the same, the underwriter would expect a very high premium to cover that risk, would he not?—Yes, he would no doubt; but I can conceive of circumstances in which the shipowner would say, "I mean to take this other route; what do you think of it? Are you prepared to quote a premium?" And a premium would be quoted. It would then be for the shipowner to decide whether it was worth his while to run the risk or not.

1805. I think, from something you said earlier, that you are more afraid of fraud, or, at any rate, of a shipowner taking undue risks, if there is a national guarantee, than if he is left to insure himself by the ordinary means?—I think there would be a great many more cases of what I may perhaps call the prudent shipowner. To give an example, in the Spanish-American war a certain shipowner of very high standing had three ships sailing under the Spanish flag to the West Indies. Two of these ships were obsolete, and one was modern. He insured those three ships, I think, at Lloyd's, against war risks for half-a-guinea per cent. for a period of time. The two old ships were sent to sea, and both were captured and confiscated by the Americans; the modern ship was kept carefully out of the way of the capturers, and is running still, I think. I am afraid that would happen to a very large extent under these schemes. There was no fraud in that case of any sort, and no suggestion of it at all; but one might say it was a very fortunate thing for that prudent shipowner.

1806. In the case of an ordinary policy you would take the shipowner's valuation of his ship without much dispute, would you not?—It is entirely a matter of bargain between the shipowner and the underwriter.

1807. And the underwriter is not generally disposed to question the value which the shipowner puts on his ship?—No, I think he determines his rate according to the value. The value may be high or it may be low; it affects the underwriter in certain respects, and he takes those things into consideration in quoting the rate. If he thinks it affects him adversely, he quotes rather a higher rate; if, on the other hand, it is in his favour, he would quote a rather better rate.

1808. Generally speaking, the valuation of the ship does something more than protect the shipowner against loss if his ship becomes a total wreck—I mean that as a general rule the policy puts a very ample value on the ship, does it not?—I do not think that is so in all cases. In some cases we have full values, in other cases we have moderate values, and in other

cases we have low values. I think the rates are fixed accordingly.

1809. We have had it suggested by some witnesses that the shipowner—without imputing to him misconduct at all—never makes so profitable a venture as when he loses his ship entirely?—I think that frequently is the case, but I do not think it is by any means always the case; in fact, I know of a recent case in which the value of the ship is not equal to its selling value to-day. I do not think the shipowner can be said to have made a profit in that case.

1810. We have had it in evidence from underwriters that during the Russo-Japanese war merchants and shipowners insisted on carrying out their venture, even when the risk had become so great as practically to be a certain loss, and even when the underwriters made very high offers indeed to them to abandon the venture. That must have meant that they were going to make a profit out of the total loss, must it not?—No doubt they were very fully insured in those cases.

1811. And therefore they became reckless as to whether the vessels were lost or not?—Probably; or it may have been the cargo in those ships—probably more the cargo than the ship. The cargo was very largely insured in those cases, I believe.

1812. In the cases of which I am speaking I am not talking of a loss involving loss of life?—I understand.

1813. There was merely a loss of property?—Quite so. I think the cases of which you speak had been got out as far as Shanghai, for instance, and at great expense. To have stopped the venture there would have meant a loss, no doubt, on those cargoes. It was better for the merchants that they should go on and be captured than that the voyage should have ended at Shanghai.

1814. Supposing we were a belligerent, it would be contrary to the public interest, or it might be contrary to the public interest, that a voyage involving such risks as that should be pursued?—Yes.

1815. It might practically lead to making a present of ship and cargo to the enemy?—Quite so.

1816. Would not the risk of that be much less if all that the shipowner recovered was the actual value of his ship, instead of, as at present, whatever value had been agreed in the policy, which might be a value in excess of the actual value of the ship?—Yes; but there would be great difficulty in determining the actual value of the ship. How could it be determined?

1817. Would you have much difficulty in appraising the value of any ship now. You have access to Lloyd's Register, and so on?—I do not think that would be sufficient to enable one to appraise the value of a ship. I think we should have to go to a professional valuer of shipping and get his certificate

1818. Could you arrive at a workable rule by taking the cost price and allowing a fixed depreciation, for instance?—You might get at a rule in that way, I think.

1819. If you take the cost price and allow the same depreciation as is allowed for income-tax purposes, do you think that would be a fairly safe rule?—I am afraid I do not know what is the depreciation allowed.

1820. (*Sir James Mackay.*) Sometimes vessels may rise in value considerably after they are built. For instance, there has been a rise of 25 per cent. in the last two or three years, has there not, which rather works off any depreciation?—Yes; and then, on the other hand, some steamers are depreciated almost before they are put into the water.

1821. (*Chairman.*) You said, in answer to one of my early questions, that your association was not necessarily opposed to any scheme that could be devised?—That is so.

1822. Though they objected to both of these schemes?—Yes.

1823. Can you explain to us what you think might be done usefully?—I think, as I said before, that if the Government are going to pay somebody they had better pay the man who gets the food into the country.

1824. Would you give a bounty on arrivals?—Yes. It might take different forms. It might take the form of a refund of his war premium, or a refund of a certain amount, so that he would know he could count on getting something upon getting his cargo in. I think that would all tend to reduce prices, if it were known that such a rebate would be made. I have not thought the scheme out thoroughly, but I have no doubt it could be done.

1825. I take it that on the whole your association sees no reason for the State to interfere?—I do not say that they see no reason, but they see no advantage in these schemes. They do not think that State interference in this way will attain the object which we think the Government has in view.

1826. Would you still advise us to attempt to work out a scheme such as you have suggested of some bounty or some payment on arrivals, or would you say that upon the whole you think we might very well leave things as they are to private enterprise?—Personally, I think a scheme of bounty on arrivals is very well worth consideration, because I think that would do more by a great deal to get cargoes in and to keep the ships at sea and to keep the ships from being captured. I think that is what you want. If you can keep the ships from being captured, the ships will be kept at sea, and British trade will go on. After all, it all comes to an adequate Navy under any circumstances. If the Navy is adequate, and if communication between the Admiralty and underwriters is good, premiums will be kept at a moderate figure, and there will not be that fear of captures which will really send prices up more than the actual captures themselves. Though some cargoes may be captured at first, the trade will find other channels. If it is interrupted by the captures at the beginning of the war, it will find some other channel into the country, and the country will not seriously suffer merely from the few captures at the commencement of the war. No doubt it will suffer to some extent, but it will not be a question of starvation, I think.

1827. It is not so much the actual loss which has been suggested to us as the difficulty arising from the fear of loss, as you put it?—Exactly; it is the fear and the uncertainty that will cause the prices to rise.

1828. It has been put very strongly to us by other witnesses that the effect of a few captures, such as one must contemplate as inevitable in the case of a great war in the early stages, would be so great in creating a panic as to raise rates to a prohibitive amount, or perhaps even to make it impossible to insure vessels at any rates at all?—I think we do not share that view in Liverpool.

1829. (*Captain Ottley.*) Could you give us any idea what you think would be the best kind of line the Admiralty should take in communicating with shipowners. What should be their channel of communication in the first place?—I take it that Lloyd's would be the natural channel. The Admiralty would wish naturally to keep everything as confidential as possible, and they would not want information of that kind to be sent out broadcast. If an arrangement were made—which, no doubt, could be made—by which Lloyd's could pass on those communications to other underwriters in the country, I think that would have the effect of keeping premiums at a moderate level. I am sure underwriters on their side would give the Admiralty all the information as to the position of ships and so on that they possibly could.

1830. Obviously, if the Government gave no kind of compensation, no sort of guarantee, the utmost that the Admiralty could do would be to give advice—they could not give orders?—Quite so.

1831. I think probably that is the utmost which the Admiralty will attempt to do; they will merely advise, and they will from time to time give information; and with that you agree?—Quite so. Underwriters would then find out whether the shipowner intended to accept the advice of the Admiralty or not.

1832. I think I quite understand that your view about the two Schemes A and B is that they are both objectionable from the broad point of view that the only people who will receive compensation will be the people who have failed to bring their cargoes in?—That is so. I think that the A scheme will really bountify the shipowners at the expense of the taxpayer.

1833. As an alternative to those two schemes, to both of which you see objections, you think it might be possible to pay bounties upon cargoes upon arrival?—I do not suggest that as an alternative scheme. The Chairman asked me if we were opposed to any scheme. We are not opposed to any scheme. It is quite conceivable, I think, that some scheme might be devised which we should think good; and I may say that I am trying to give you the opinions of Liverpool underwriters as good citizens, and not to put forward what is for our own individual profit and advantage.

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1834. From that point of view—that is, from the point of view not merely of individual private advantage, but from the point of view of the nation at large, I was going to ask next if you could form any idea—and, of course, I admit it is only the vaguest possible idea that we can any of us form—of what sort of numbers of ships would be captured in a great naval war? For example, we might imagine a thousand ships leaving within a given period of time for British ports; can you give us any idea what proportion of those ships would be likely to be captured?—I do not see how we can give you any idea, because it must depend so entirely on the particular circumstances and on what happens in the Channel. We have large sea room all round the west coast of Ireland, and we have many ways of approaching the different ports in England; but no doubt a very great deal would depend upon what happens in the Channel and in the immediate vicinity of the islands.

1835. If we take a case, which I think would really be an extreme case; if we are satisfied that in a great war of that kind, say, 100 out of 1,000 cargoes would fail to arrive, which I think would be a very large proportion?—It would be a large proportion.

1836. Then the bounties would be payable upon the remaining 900 that did arrive?—Yes, if war premiums had been paid upon them. But I think these schemes assume—and perhaps the Royal Commission assumed—that war premiums would be paid upon the whole of British shipping. Such would not be the case. War premiums would only be paid upon those ships which were in the zone where they were likely to be captured. In these other wars we have had shipping belonging to the belligerents in different parts of the world on which no war premium was paid, because they were not within the danger zone, and there was no chance of their being captured.

1837. (*Sir Thomas Glen-Coats.*) In regard to the second point in your *précis*, namely, "That the cost of war insurance is not the only factor in the increase of cost of food and raw material in time of war, and that there is no evidence that it alone would be a serious deterrent to the importation of adequate supplies." Do you refer there to the bounties on ships bringing their cargoes safe to this country, or to other things?—When I refer in that paragraph to the war premiums not being the only factors, I have in mind other factors, such, I take it, as the usual market devices for putting prices up on the apprehension of war or on the actual commencement of war. Markets are always affected by such apprehensions.

1838. As regards the refunding of premiums, would you pay those on outward-going ships as well as on ships that are bringing foodstuffs from abroad into this country?—Yes. I think the outward cargoes have to be taken into consideration as well as the imports, because we must have something to pay for our imports.

1839. Do you suggest, then, that the same amount might be paid on ships carrying our manufactures abroad as well as on ships bringing foodstuffs and raw material to this country?—Yes, if they were in danger of being captured, of course.

1840. I think you said there would be a large proportion of ships which would not be insured against war risks, because they would not come within the danger zone?—Yes.

1841. Would not all ships bringing foodstuffs and raw materials to this country and carrying manufactured articles from this country necessarily come within the war zone, either coming in or going out?—I think that would very much depend upon what happened in the actual war.

1842. You do not think they would necessarily come within the war zone, then?—We know absolutely nothing as to what would happen. It is difficult to conceive what would really happen in the case of a war against a large naval power; and so it is very difficult to answer a question of that kind.

1843. My idea was that these ships would be bound to come within that zone, and therefore the owners of all ships bringing goods to this country, or carrying manufactured goods from this country, would require to be paid a premium if they had got their ships safely through?—I do not think that. I think it has only an indirect bearing on the food supply. We should require to encourage a certain amount of exports in order to pay for our imports, and to that extent it might be desirable to give a bounty to the outward vessels as well as to the homeward ones. But our shipping is all over the globe, to all countries, and on all seas, and I cannot imagine that it would all be in the war zone at once, or that more than quite a comparatively small portion of it would. I think it is very improbable that we should be at war under such conditions that more than a limited amount of our tonnage would be in serious danger.

1844. Would you extend the premium to ships sailing under a foreign flag?—No, certainly not.

1845. But if they were bringing foodstuffs to this country?—If they were bringing foodstuffs to this country they would not be under the disadvantage of a war premium, or at all events, it would not be a very high one in their case.

1846. We have had evidence to the effect that there is no great extra safety in bringing foodstuffs in a neutral ship?—That might depend upon what was decided to be treated as contraband of war. It might be that foodstuffs would be considered contraband by our enemy, because, of course, our existence here depends upon them.

1847. May I take it that if these premiums were paid to owners of ships bringing their ships safely through they would be given on the understanding that the State does not either insure these ships or give an indemnity to these ships; but that this scheme takes the place of the others?—Yes, such a scheme would take the place of the others; but, as I have told the Chairman, I have not thought it out. I think, however, such a scheme might be devised.

1848. (*Mr. Lindley.*) In the last paragraph in your *précis* you say that the schemes before the Committee would be commercially unworkable; I take it that that is chiefly on the ground of expense?—It is largely on account of the expense, because I take it that the Government, given sufficient money, could do anything.

1849. Supposing Scheme A were adopted, and that the shipowner and the merchant were practically only indemnified for the actual value of the goods or the ship, how then would the Government be incurring an expense equivalent to, or more than the war premium which would be paid by the shipowner or merchant in ordinary circumstances?—I do not think it would do so; but, as I think, the delay and other things will have to be taken into account in that case, because otherwise the scheme will not be adopted by shipowners.

1850. Do you think it would be impossible to arrange in such a way that any committee which shall be appointed will be able to get claims passed and settled within a fixed time, so as to satisfy the shipowner and the merchant?—No, I think not.

1851. At the present day is it not the fact that most of the insurances which are taken out on steamers for time do not cover war risks?—That is so.

1852. Supposing a war broke out, those vessels would have to be insured against the war risks on separate policies, then?—Yes; or by the same underwriters.

1853. It is your experience that that is very often done by the same underwriter?—Usually the shipowners, as far as Liverpool shipowners are concerned, go to their own underwriters first. If those underwriters quoted a higher premium than the London underwriters, no doubt the London underwriters would get the risk.

1854. Assume for a moment that it is the case that the two risks are separated, do you consider there would be any difficulty in determining where the loss would lie?—There might be serious difficulty in some cases, I should think.

1855. Have you ever come across a case yet?—No; because we have not really had any large experience with war risks.

1856. There was one case in the Russo-Japanese war, was there not?—It did not come within my knowledge.

1857. You do not know of it?—No.

1858. As a matter of fact there was one, the "Claverton," and the underwriters on the hull paid for it, and the vessel was found afterwards ashore. In reference to your remark with regard to delay or demurrage, I take it that you did not mean that under an ordinary policy covering a war risk you thought delay or demurrage would be paid for by the underwriter?—No.

1859. What you implied really was that if the shipowner came into this scheme that would have to be considered, so as to give him an inducement to come in?—Quite so.

1860. With regard to the question of fixing values in the case of a loss, you have had a good deal of experience of general average-adjusters, have you not?—Yes.

1861. Have you found any difficulty in agreeing to the values which have been assessed and taken either on ship or goods?—No, we have not.

1862. That has been carried out for a good many years with very little trouble, surely?—Yes.

1863. Could not a similar principle be applied here?—I think you would have values put up very largely on the commencement of a war, and that would lead to questions which do not exist now.

1864. You have read these two schemes through. I will leave the ship for a minute, and ask you whether you have noticed the value that is mentioned for the cargo—namely, the value of the cargo at port of shipment, *plus* insurance and the freight to port of destination. Would there be any difficulty in fixing that?—No; I take it there would be an invoice for that cargo.

1865. And the shipping documents would probably be hypothecated?—Probably, I should think.

1866. Does that not get rid of the difficulty then?—If they thought they were going to be paid by the British Government, the market would put a pretty good value on produce coming through in that way.

1867. If the merchant pays it, surely that is the value, is it not?—Yes.

1868. (*Chairman.*) You note that it is the value at the port of shipment?—Yes.

1869. It is not a speculative value which it might have on arrival, but the sum actually paid at the port of shipment?—Yes.

1870. (*Mr. Lindley.*) *Plus* the cost of getting it to this country?—Yes. But in these days of cables it would be known perfectly well in New York, for instance, what the position is over here, and a very high value would be put on cargoes that were coming here and were likely to be in danger of being captured.

1871. Because of the particular zone or district it has to pass through?—Yes.

1872. That would apply, surely, to any cargo that is purchased in any neutral country for the purpose of being carried to this country, where they have got a danger zone to pass through, whether it is purchased or whether there is an indemnity or whether there is not?—Yes; but I think if they thought they were going to be indemnified——

1873. They would stick the value up higher?—I think that is one of those factors which are mentioned in the second paragraph in the *précis*, which would put the price up in time of war. It is due, to a large extent, to the fear of capture.

1874. That idea of fear is the great thing that this scheme is suggested to avoid, in order to prevent a panic rise in prices?—Yes, but we do not think that it will have that effect. We think the best remedy for that is an adequate navy.

1875. In reference to the cargo stopped at Shanghai in the Russo-Japanese war, you mentioned just now that a lot of shipowners went on in spite of the requests of their underwriters. Is it not a fact, however, that a very large proportion of them did not go on, but accepted settlements made by compromise with the underwriters?—I do not think I said they went on.

1876. I rather gathered from your reply to Mr. Chamberlain that a large number of them did go on?—I do not think I said so. I said I thought the goods, having been got out so far as Shanghai, at great expense, it was natural that they would prefer to go on; but, as a matter of fact, I believe a lot of those insurances were cancelled.

1877. That is what I wanted to get at; I rather gathered from your reply that you thought a large number of them had gone on with an almost dead certainty of capture; whereas, as a matter of fact, I believe, much the larger portion of them were settled by compromise?—I think so; as far as my knowledge goes.

1878. (*Mr. Beauchamp.*) You are of opinion that there will not be a great rise in war premiums on the outbreak of a war?—I do not think there will be an undue rise. I think underwriters will wait and see what is going to happen before asking excessive rates.

1879. I think you said that the rate during the Japanese war on goods going to Japan, never rose to above a very moderate figure?—Quite so.

1880. Was that not because those goods were shipped in neutral vessels and not in belligerent vessels?—I was speaking of Japanese vessels. The rate on neutral vessels was quite nominal, too; but, as I say, I was speaking of Japanese vessels which were running from the west coast of North America to Japan, carrying flour across to Japan. Those risks were placed at 20s. to 40s. per cent., which is quite moderate.

1881. All through the war?—At the commencement of the war, when it was undecided which power was superior on the sea. Later I think they fell away to quite nominal rates, when it was found that they all got in perfectly safely.

1882. But then it was generally known that the Russians had only a very few cruisers out at that period of the war, was it not?—At the commencement of the war there was considerable fear of the captures of those cargoes going to Japan.

1883. But the fear was only measured by a premium of 20s. to 40s. per cent.—and not more than that?—Yes. I think there were only one or two captures on the Russian side.

1884. If there were a good many captures of British vessels at the beginning of a war, do you not think that the premium would rise?—I think that would influence the rate very considerably.

1885. If the rate went up, we will say, to 15 guineas—or even 20 guineas—which is quite possible, is it not ——?—Yes.

1886. Then do you not think the market for war risks would be very restricted?—I do not see why it should be. Unless something of the same nature occurred here as did in the case of Vladivostock and the Russian fleet, I do not see why there should be any serious restriction in the market.

1887. Not even with a premium as high as 15 guineas, we will say?—No, not even with a premium as high as 15 guineas.

1888. You, of course, represent the views of the underwriters in Liverpool?—Yes, entirely.

1889. But it is quite possible that the directors of the companies, if they found there were heavy losses, might get into a panicky condition and insist that no more war risks should be taken?—Yes, I suppose that might happen.

1890. Do you not think it is quite likely to happen? It has happened, has it not? I do not say it has happened in Liverpool, but it has happened in one or two cases before?—I think it is quite possible, but I am afraid I cannot speak for directors.

1891. Because you are not a director of a company?—I do not represent a company, and therefore I can hardly speak to that.

1892. If there were no scheme of this kind, and the Admiralty were at any rate to tender advice, if they did not give instructions, do you not think that the underwriters would insist upon the shipowner and the master of the ship conforming to the advice or the instructions of the Admiralty under any circumstances?—I certainly think they would, but I think they would get a lower premium if they did.

1893. If they did not, then the premia would be put up?—Then the premium would be excessive, probably. No doubt it would be governed by that.

1894. You think the shipowner would not come into the scheme unless he was paid for his demurrage for delay?—I think not. I think that would be one of the considerations with him as to whether he came in or not. Another would be whether he would not get a settlement more speedily from his ordinary underwriters; and another would be whether the ordinary underwriters would not allow him to put rather a better value on than the Government would. No doubt the shipowner would have several considerations to think of.

1895. But the underwriter would insist upon the

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shipowner conforming to the Admiralty regulations, or would charge a higher premium; and would not the higher premium charged by the underwriter really come in in the place of demurrage and probably represent very nearly the same sum?—It might or it might not.

1896. If the underwriter said, "You will not come in, so I will charge you 10 guineas on a ship worth £20,000," that would come to £2,000?—Yes.

1897. Which probably would be quite as much as the demurrage would come to?—Yes, it might be.

1898. I did not quite understand who is to pay the premium under your alternative scheme, or suggested scheme. Who is to pay the premium for the war risks, do you contemplate the State paying it?—No.

1899. Then would it be the ordinary premium?—It would be the ordinary premium. I only suggested that it might be made in that form—that one form the scheme might take would be to refund the premium, or a part of it, to the merchant and shipowner, so as to reduce the excess part of the premium, so to speak. Supposing he had to pay 10 guineas per cent. while a neutral was only paying 1 per cent., he might be refunded 9 per cent. or the larger part of 9 per cent.

1900. Would that not rather tend to put the premium up than to keep it down? If the owner knew that he was to receive it back on arrival, it would not really matter very much what premium he paid; he would say to the underwriter, "I can pay you a good premium, because I am going to get it back again on arrival." Would that not rather tend to put the premium up?—It might have a slight tendency towards that. As I say, I have not thought out that scheme. It only suggested itself to my mind that if any bounty were to be given at all, it would be better to give it in some way upon the ships which actually got into port, and not upon those which are lost.

1901. But there is no inducement to the shipowner to lose his ship under B scheme because he is only going to get the exact value of his ship, and he would get no profit, you see?—That is so.

1902. The inducement to the shipowner to bring in his ship would be that the cargo, at any rate, would be sold at a handsome profit, and he would probably be paid something by the cargo-owner if he did get safely in?—I take it that you would have to return the shipowner his war premium, too, if you want to affect the cost of the produce eventually to the consumer.

1903. There is no incentive under this scheme for any man to throw his ship away, and there is every reason for him to get his ship in, because the owner of the cargo would get a big profit on the cargo which he got in, and would probably make an arrangement with the shipowner to give him something out of that profit if he did arrive safely?—I do not think that is our view in Liverpool.

1904. I rather gather from what you said that you thought that under either of those schemes—A and B—there would be some incentive to a man not to avoid capture?—Yes, and to take hazardous risks which he would not otherwise take. We think in Liverpool that that would be so under these schemes.

1905. And you still think so, even although the man is only to get the actual value of his ship?—Yes. We still think so, because no doubt he would get the full market value of his ship.

1906. The owner of the cargo is only to get the actual value of his cargo *plus* insurance and freight under the scheme; but if he arrives he will get a very big profit probably?—Probably he would.

1907. So that under all the circumstances it would be to his advantage to get in?—Yes, assuming that it is the merchant's cargo bought abroad. A good many cargoes are at present sent into this country to order, and are the property of foreigners, and not the property of British subjects.

1908. (*Sir James Mackay.*) Do you think that any scheme under which the shipowners were to be taxed, say from the beginning of 1908 or 1909, in order to provide a fund to pay for losses during the time of war, would be welcomed by the shipowners?—Not being a shipowner, I am afraid I cannot say, but I should doubt it.

1909. You propose to give this bounty to the shipowner as well as to the cargo-owner, do you not, if he arrives safely?—I should think any scheme would have to provide for that.

1910. Why should the cargo-owner get it? He has had nothing to do with getting the ship into port?—He has had to pay his war risk premium, and your object is to keep prices at a reasonable level.

1911. The Government would then be practically paying the war risk premium?—Virtually.

1912. To the underwriters?—In a way, yes.

1913. (*Sir George Clarke.*) Did the members of your association take war risks on a large scale during the Russo-Japanese war?—Yes, they did, on a considerable scale.

1914. I think you told us that the competition of underwriters can be relied upon to keep prices down. For instance, take that high rate to Vladivostock, 30 to 40 guineas; was that a rate which had been kept down by competition?—I take it so entirely.

1915. You mean that it might have risen very much higher if there had not been competition?—As a matter of fact, it did not pay. The underwriters who wrote those risks lost money very largely.

1916. We have been told that if there were very heavy losses, the majority of underwriters would close their books at once, and the ships affected would not be insurable at all. I take it that you do not hold that view?—We do not hold that view in Liverpool.

1917. Do you think that, especially in the first few months of the war, there would be any chance of the rates in the ordinary market being kept steady?—I do not see how you could keep them quite steady. I think they would vary from time to time, according to events.

1918. Then you do admit the possibility that the fluctuations might be sudden and violent?—Under certain circumstances, of course, they might be more violent than under others; on the other hand, unless anything very startling happened, the fluctuations would not be very serious.

1919. But in war things that are startling frequently do happen?—Yes, they do.

1920. And do you not think that if things startling do happen, they would be accompanied by violent fluctuations in the insurance market?—Yes. If a large number of ships were captured, the rates on ships nearing the danger zone would naturally rise to a very high figure, but only on ships nearing that position. Ships farther off, and not likely for some time to be in the war zone, would still be unaffected by that.

1921. That is, assuming, of course, that the enemy was not able to effect captures in distant waters; and that is not certain?—I take it that it is most unlikely that we could be at war under such circumstances, that our tonnage should be in danger in all parts of the globe. It would only be in a few places where probably there was any great amount of danger.

1922. But you do think, if it did come about that the fluctuations were violent, leaping from day to day, that would have a very serious effect on the commerce of the country during that time?—Yes. Of course, so much depends upon the actual position. We cannot quite conceive of anything so bad happening as to affect the whole commerce of the country. If it did, then, as I said before, I am afraid credit would be so much impaired that insurance would not matter, as there would be nobody to handle the cargoes.

1923. Do you think that captures in one part of the world would not affect the insurance market in other parts of the world?—I do not think they would at all.

1924. Have you formed any idea as to what rates of insurance would really be so great as to prevent ships going to sea at all? What would you put down as a prohibitive rate?—I do not know that we can put anything down as a prohibitive rate, because the rate would be taken by the shipowner along with his other expenses, and added to what he would be willing to undertake the risk for, or it would be added to the ultimate cost of the produce.

1925. At any rate, any conceivable rate might not suffice to stop all the operations of commerce, because commerce might still stagger along under it?—I think, as I said before, that war would no doubt stop up certain of the usual channels of commerce for the time being; but that commerce would find other channels at once. The first effect of any captures would be to divert the trade into some slightly different channel.

1926. (*Sir George Murray.*) As, for instance, under a neutral flag?—It might be that, or it might be a different trade route. We have a great many trade routes open to this country, and if one trade route were

unsafe, commerce would naturally be driven to other trade routes.

1927. (*Sir George Clarke.*) If Scheme B was so framed as to insure a maximum rate of not more than 2 per cent. or 2½ per cent., which you said was the rate from the United States to Japan, do you not think that would be a great advantage?—It would.

1928. And if anything could be done to insure the shipowner against rates above that figure, it would be a gain?—Yes, it would be a great gain to the shipowner, of course. I think, personally, as an underwriter, that it would be very advantageous to the underwriter, as it would relieve him of all the bad risks.

1929. Then when the market rates drop below the fixed State rate, the underwriter would come in and do all the business, of course, naturally?—The shipowner, or the merchant, if he had a moderate rate quoted to him by his underwriter, would naturally prefer to do his insurance in that way. It would save him a good deal of trouble, and save all questions and any possible delays.

1930. So that Scheme B might just do for the critical period?—Yes.

1931. And afterwards natural methods would assert themselves?—Yes.

1932. And you think that would be a gain?—Yes, I think it would be.

1933. When you say that Schemes A and B would be commercially unworkable, do you mean that they are bad business, or that the machinery required would be so unwieldy as to be impracticable? Which point of view do you take?—I take it that what we mean by their being commercially unworkable is that they would, in the end, cost more to the consumer—that they would be more expensive.

1934. To the country at large?—Yes. They would be more expensive, I think, to the country at large.

1935. That is by reason of the large machinery which you think it would be necessary to set up?—Yes

1936. Supposing there was no very large machinery to set up, your objection would then be modified, because it is rather one of expense, is it not?—Yes, it is largely one of expense.

1937. Under Scheme B, if the State fixed its schedule of rates in a clear form, do you think all the actual business of insurance could be carried on by the underwriters acting on behalf of the State on commission?—That would mean making an arrangement with the underwriters. I have no doubt something of that kind could be devised.

1938. You do not think that is absolutely impracticable?—No, I should think not.

1939. With regard to your suggestion that there should be a bounty on arrivals in this country and also on our exports, that, of course, would not be any help to British commerce between non-British ports nor to British commerce between British Colonies?—No, it would not.

1940. All that section of our trade would not be helped in any way at all?—No, it would not; but I take it that these schemes refer specially to the supply of food and raw material to this country in time of war.

1941 You were not thinking of it as applying to British commerce all the world over?—Not at all—only to those two particular things.

1942. I suppose you would not go on paying these bounties all through the war? You would not go on after the scare, and after it was shown that the country was perfectly safe?—No, certainly not.

1943. The Government would be able to put the stopper on at once?—I should imagine so. As I have already said, I have not considered this scheme, and I have not thought out how it would be practicable, but I can quite imagine it possible to devise a scheme that would be effective.

1944. I may take it that your general view is that it is unnecessary for the State to do anything, because there is no danger of a panic or of the stopping of commerce due to high insurance rates? That is your general view, is it not?—That is my general view.

1945. And the view of Liverpool?—Yes. My general view is that if the State interferes in this form, it will be more or less at the expense of the consumer.

1946. You rather think it is not necessary for the State to interfere, because the ordinary machinery will do it all for the State?—I think the ordinary machinery is sufficient. *Mr. J. T. Binning.* 25 Mar. 1907.

1947. (*Sir James MacKay.*) You were speaking of the Japanese steamers running between North America and Japan during the war; you know, I suppose, that the Nippon Yusen Kaisha stopped altogether running to this country?—Yes, I am quite sure of that.

1948. They had to withdraw that line altogether the moment the war broke out?—That was on account of the Russian cruisers.

1949. They would not have been safe from the Russian cruisers in the Mediterranean or in the Red Sea, would they?—Possibly not, because there they would be so far away from their own vessels.

1950. They had steamers running into Bombay from Japan, and they had to stop them too; in fact I do not think any Japanese steamers came west of Singapore?—But there has been no loss to Japan of those steamers. The owners did not put them under a neutral flag.

1951. No, they did not; that is quite true?—I take it that in a case of that kind the Government of the country is always glad to have a number of merchant steamers that it can take up.

1952. But still they were driven off that line?—Yes, but they would find employment in other ways, no doubt.

1953. (*Chairman.*) I want to read to you, if you will allow me, some evidence we had the other day from an underwriter, and to hear your view of it. I put to him the question: "To begin with, perhaps you would tell me why you think a scheme desirable?" and I will read you some passages in his reply. He said, "I am of opinion that in the event of the outbreak of war the present market for insurance of vessels and cargoes against war risks would shrink up. I am of opinion that prior to war, in the case of rumours or anything of that sort, there is a very large market, but after an outbreak, and in the probable event of captures, that market would almost entirely shrink up, and the few underwriters or companies engaged in the business would put the rates up to an absolutely prohibitive size for the carrying on of commerce." You do not share those apprehensions at all?—We do not share those views in Liverpool.

1954. The witness went on to suggest, as you have said, that there would be risks which would always be very slight risks and easily covered; and he also suggested that there would always be certain danger zones, and that within those danger zones the risks might rise to 20 or 30 guinea risks. Then I put to him the question: "It would be difficult to find underwriters to take the risk at that rate?" and he said, "You could not place sufficient even at those rates. There would be only a few groups who would go into it." That is not your view in Liverpool?—No, that is not our view in Liverpool.

1955. Of the firms represented by your association which took war risks at the beginning of the Russo-Japanese war, did the great majority of them continue to take war risks right up to the end?—They did, I think, at all events up to the fall of Port Arthur. Naturally, no Russian risks were taken after that.

1956. But up to that point the great majority continued to underwrite both Japanese and Russian risks?—Yes. The companies who had been taking those risks went on doing them until the fall of Port Arthur, I think.

1957. Was there no marked shrinkage in the market on that?—I do not think so. There was always quite a free market on the Japanese risks. I think that a great deal must depend upon our showing superiority at first, if possible. If we do that, there need be no fear of high war rates at all.

1958. (*Sir James MacKay.*) Of course, if we lost command of the sea, we could not insure at any price?—Naturally.

1959. You admit that, of course?—Naturally.

1960. (*Sir George Clarke.*) But there must be some period—you must give time for naval superiority to assert itself?—Yes.

1961. And that is the critical time for insurance?—Yes.

1962. That might be weeks or months, but time would be required, undoubtedly?—Yes.

TENTH DAY.

Tuesday, 16th April 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*)

The Right Hon. Sir R. B. FINLAY, K.C., G.C.M.G.
Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH, *Secretary*.

Mr. CHARLES WRIGHT, called and examined.

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Mr. Wright, in a preliminary memorandum,* had submitted:—

(1) That it is not desirable that the State should make good the losses referred to, but that in case the State should decide to take such risks, premiums calculated to recoup the whole cost should be charged.

(2) That under any scheme business could not be carried on in peace as in war, owing to Admiralty restrictions.

(3) That State insurance would not prevent the increased prices of commodities in time of war, such prices being governed by the relation of the demand to the supply available.

(4) That gratuitous indemnity would not secure the arrival of supplies.

(5) That safe arrival depends solely upon the acquisition and maintenance of the command of the sea, and that occasional captures are best dealt with by ordinary insurance.

(6) That the Russo-Japanese war has shown that the supposed immunity of neutral vessels is illusory, owing to the enlargement of the scope of contraband, and that little protection is to be expected in Prize Courts where the wrongdoers are both judge and defendant.

(7) That although State insurance might allay anxiety during negotiations, it may be better that such anxiety should exist, since it is a factor in favour of peace.

(8) That experience has not shown that private insurance is unduly expensive.

(9) That the payment of a premium is a serious tax on the fraudulent, and that insurance in the ordinary way tends to prevent fraud and loss.

(10) That even if qualified men could be obtained and paid for in time of war, when all would naturally be fully occupied, they would not have the same inducement to exact an adequate premium as they have under present conditions.

(11) That State insurance might result in the indemnification of aliens, or even of the enemy.

(12) That Scheme "A" would be impolitic and inequitable, and that if Scheme "B" were thought advisable,

(a) the loss to be covered by the indemnity should be defined by a new and special form of policy, since the present war risks policy is obsolete and unsatisfactory;

(b) the premium should be fixed for each risk at the time when the risk is proposed, and the rate should be commensurate with the risk;

(c) all values should be agreed beforehand;

(d) claims should be examined by well qualified and paid officials, and the decision of the Board should be subject to appeal to the ordinary tribunals.

(13) That it might be possible for the State to guarantee, in time of war, the solvency of existing companies and underwriters, though it is not a scheme to be recommended.

1963. (*Chairman.*) You are an insurance broker, and a member of Lloyd's, I think?—That is so.

1964. A director of Henry Head and Company, and Deputy Chairman of the London Salvage Association?—I am.

1965. You have seen the terms of reference to this Committee?—I have.

1966. What is your general opinion upon the subject referred to us?—My opinion is that the State cannot usefully intervene in the matter at all, and that if it decided to intervene it should do so upon the second plan—namely, by means of a national guarantee which is paid for, not a gratuitous plan.

1967. I will come later to the plan and your reasons for that, but I would like to ask you first some questions on the general subject. It was suggested that the State should make good the war losses at sea or give a guarantee in some form or another with a view of securing that the business of the country should go on, as much as possible as it would in time of peace, during a great war?—Yes. That is in the form of a question, I presume. That is what I understood to be the motive that governed those who originally proposed this, but I see by the plans which are now submitted that shipowners are to be placed under Admiralty direction, and therefore that basis of the scheme is given away at once, and it is admitted that the business of the country could not possibly go on in time of war as in time of peace. That provision seems to me to be absolutely necessary, and any scheme of indemnity that did not contain that, I think, would be extremely impolitic.

1968. No doubt, whether there is a State guarantee or not, there would be some interference with the ordinary course of trade. But what has been feared is that the insurance might rise to such a point that ships could no longer be profitably employed, and cargoes of necessaries in particular could no longer be imported at reasonable rates. A scheme of indemnity might meet that, even though some conditions were necessary in war that are not enforced in time of peace, do you not think?—No doubt a scheme of indemnity would induce shipowners to send their vessels to sea at a time when without such an indemnity they would not send their vessels. That I admit, necessarily.

1969. What do you anticipate would happen to our own shipping on the outbreak of a great naval war in which we were a belligerent?—That seems to me to be more a question for a naval officer to answer than for

* *Vide* note, p. iii.

an insurance broker. My hope and my expectation would be that our Navy would do what it is expected to do, and that it would so far dominate the situation that it would be possible to carry on business, not, of course, anything like under peace conditions, but it would nevertheless be practicable to carry it on. I should anticipate captures would take place, especially perhaps in the early stages, but I should hope that our Navy would collar the navy of the enemy, and that captures would cease, or that they would at any rate be reduced to a relatively small number, such as would readily be met by the ordinary system of insurance.

1970. Assuming that our Navy was in a position to obtain command of the sea and to keep it, there might, as you say, in the early stages of the war, be considerable captures?—Just so.

1971. What effect would they have, do you think, upon the market for insuring war risks?—Undoubtedly a premium would have to be fixed reasonably commensurate with the percentage of loss that had occurred. If the percentage of loss were small the premium would be, I think, moderate. If the percentage were heavy the premium I have no doubt would be very heavy.

1972. It has been suggested to us by other witnesses that a few captures in the early stages of a war might put up rates out of all proportion really to the permanent risk?—Of course, it is very much a matter of imagination. My experience does not confirm that. Experience of wars in which we have not been engaged does not confirm that. On the contrary, it seems to me that the competition of underwriters tends to depress rates below a remunerative level.

1973. May I ask you at this point is the market for war risks a large one?—Yes, I think one may say it is a large one. It is not so large as the market for general insurance, and as the risk intensifies, as it becomes more onerous, I think the market tends to be restricted. The greater the risk, I think, the smaller the market.

1974. One witness said to us the other day that in his opinion if there were a few captures at the outbreak of war the market for war risks would shrink up altogether. Do you concur in that view?—No, I certainly do not. I think, however, that if the captures were, for instance, accompanied by a naval defeat, and if there were indications that the British Navy was not likely to effectively protect our commerce, rates would probably go up enormously, and the market would be greatly restricted—that is, there would be a large number of underwriters who would keep out of the business altogether.

1975. But assuming that the Fleet was undefeated and that there were indications that it was able to maintain supremacy on the sea, although not to prevent all captures, do you think the market would be sufficient to cover the whole of the British Mercantile Marine against war risks?—I think so.

1976. That would be a very much larger war risk than any market has ever been asked to take, would it not?—Yes, a very much larger risk than it has ever been asked to take, because we have never been engaged in a war when our Mercantile Marine has attained to anything like the value that it now has. But, on the other hand, since the time when we were engaged in war the insurance market has very much increased. Lloyd's is very much stronger than it ever was. There are more insurance companies than there were at that time. At the time of the Napoleonic wars there were only two insurance companies, and Lloyd's was a comparatively small institution.

1977. So that in your opinion there would be no difficulty in placing, under such circumstances as we are considering, the war risks of the whole of the Mercantile Marine, and of each individual venture in it, however large that venture was?—No, I cannot see myself the smallest difficulty. Assuming the British Fleet maintains a substantial advantage over the other belligerent, I cannot see why there should be the smallest difficulty in covering all the war risk—that is to say, in such circumstances I think the war insurance market would be about coterminous with the general insurance market. I think if the British Fleet maintained its position war risks would be a somewhat attractive form of risk. If the British Fleet were defeated, war insurance, I have no doubt, would become absolutely impossible.

1978. And, of course, under those circumstances it would not save the country?—It would not save the country, and I need not say the country would have to give in. That would be the long and the short of it.

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1979. I gather that in your opinion the price of commodities would not be seriously affected by war risks or insurance rates in war?—With regard to that I would be glad if the Committee would allow me to explain my view even more fully perhaps than I have in the paper I have submitted. It appears to me, if I may say so with deference, many advocates of national guarantee estimate freights and insurance and the price of commodities on an entirely false basis. They seem to suggest that a shipowner, for instance, when he is considering a voyage, says, "Well, this voyage will cost me so much in coals, so much in stores, so much in wages and provisions, so much in insurance, and the result is that a certain freight will pay me, therefore I shall take that freight." I submit that that is only true in a very limited sense. That is the minimum freight that the shipowner will take. When he can get a freight that will cover his expenses and give him some little return on the capital—I do not know that he is always very particular about the last item—then he says, "Now I can go to sea." But if he can get a bigger freight, if he can get double that freight, or three times that freight, he will take it, and, moreover, he will not allow his ship to go out until he lays hold of the maximum freight obtainable. Then similarly the importer of commodities considers the cost at the port of shipment, the freight, the premium of insurance, and the expenses at the port of discharge, and then he says, "If the price at the port of discharge is so much it will pay me to bring in these goods." But if, when he gets to the port of discharge he finds he can get ten times that price he is going to take that price. He is not going to take a penny less. Consequently I suggest that the price of commodities at the port of discharge does not depend upon what it has cost the merchant or cost the shipowner, but it depends upon the fact whether captures do or do not take place—that is to say, whether there is a scarcity in the supply or whether there is a superabundance in the supply. If there be a scarcity in the supply no scheme of insurance would ever prevent the price from rising. If there be an abundance, then however dear insurance may be the price must be depressed.

1980. I think I follow your argument, and I think on the whole I agree with you. But that does not exhaust the matter. If in consequence of war risks freights and insurance rise the minimum which will induce the shipowner to put to sea or the merchant to ship goods will rise, too?—True.

1981. If other witnesses were right that those risks will be apt to be believed very large, and that therefore the rise in freight and insurance will be very great, will there not be an artificial rise in the price of all commodities that might seriously affect the population at home, both as consumers and as workers of raw material which we have to import from abroad?—I do not think so. I really am strongly of opinion that the question of a rise or fall in prices depends almost solely upon whether the captures do as a matter of fact take place. Look at our experience in the Russo-Japanese war. It being supposed that the Japanese were paramount at sea, rates of insurance were absurdly small to Japan. It being, on the other hand, supposed that the Russians were weak at sea, rates to Vladivostock were gigantic, but at the same time insufficient. Why should we assume that British insurers would be in a worse panic about the fate of British vessels in a war in which we were engaged than they were in the Russo-Japanese war? It all depends, I submit, upon the question whether our fleet maintains its supremacy.

1982. Assume that the fleet does maintain its supremacy, then I gather that your opinion is that existing resources are quite adequate to deal with the risks, and there would be no advantage in the State taking them over?—That is so.

1983. Whereas if our fleet fails to maintain its supremacy no Government insurance would save our commerce or our shipping?—It would not; but, on the other hand, I think it would inflict grave injustice on the community, in that it would enable importers, merchants, and to some extent shipowners, but I think more largely the merchants, to pocket immense profits by virtue of their being relieved of the most serious element in their business, and at the same time being able to take advantage of the enormously

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enhanced prices consequent upon the scarcity following on captures.

1984. Assuming that state of things to exist for the moment, would not the result be that these high prices would enormously stimulate importation? I do not know whether you follow my question?—Yes, I think I do. Of course there would be a strong tendency to stimulate it, and in proportion as the goods arrived so would the prices be diminished. But it all hangs on that, whether as a matter of fact they do arrive.

1985. We come back to that, that if they arrive you consider a State guarantee unnecessary. If they do not arrive you consider a State guarantee will not help us?—Yes.

1986. It has been suggested that a State guarantee is necessary in order to prevent the disuse of British vessels, on the ground that under the present rules and practice of war the neutral is at so great an advantage compared with a belligerent. What is your view about that?—And consequently it is suggested that British vessels might be transferred to neutral flags?

1987. Yes?—In the first place it seems to me that the late war has shown that the supposed immunity of neutral vessels is largely illusory. They have been captured under circumstances that seemed to be totally devoid of justification, and yet no redress has been afforded. They have been promptly condemned, and it appears to me that with a neutral vessel the chances are not very superior to those of a vessel belonging to one of the belligerents. But the main question is, I take it, whether this supposed immunity would tempt British owners to transfer their vessels to neutral flags.

1988. Or to lay them up?—Or to lay them up. Of course it would not tempt them to lay them up if they could get them insured, and it appears to me that if they were to transfer them to neutral flags that transfer would be absolutely ignored by the other belligerent, and I think rightly so. It would be, as I suggest in my paper, too thin altogether. I think there were attempts in the Spanish-American war to transfer vessels to the British flag. It did not work in the least. Why should it?

1989. You are aware that our courts have recognised transfers under similar circumstances?—I am not aware of it, but I am quite ready to accept it and believe it. Our own courts have a most remarkable habit of being extremely tender to the foreigner. We can always invite a foreigner to come to a British court with the expectation that he will get more than justice done to him, for our judges, fearing a natural bias against the foreigner, sometimes seem unduly to favour him. But neither the Japanese courts nor the Russians appeared to share that view, and one may notice that the Japanese do not even show the smallest tenderness for their allies.

1990. So that substantially you think that the insurance on goods shipped in neutral vessels would not be greatly less than on British vessels?—I do not think so.

1991. It has been suggested to us also that the trade of the country is, so to speak, often fined unnecessarily by a panic which does not result in war, and that a scheme of national guarantee would save our traders that loss?—Yes, it is undoubtedly the fact that in time of stress war premiums are charged. They are not generally so heavy, I think, as to be any serious inconvenience to the commercial community, but still they do exist. I look upon them myself as being rather salutary, because so far as they tend to inconvenience (and they are an inconvenience contingent upon a war panic), and so far as they indicate that war would bring with it still greater inconveniences to commerce, they are an element and a factor in favour of peace.

1992. So that if there is some material loss you think that is counterbalanced by moral gain?—Yes, a moral gain that has a serious bearing on material things.

1993. I gather from what you said earlier that in your opinion the rates charged by underwriters have never been excessive for the risks that they have underwritten?—That I think would be rather too strong a statement, but I think that, generally speaking, underwriters have managed to lose money over war, and therefore, generally speaking, although there may be here an excessive rate and there one that is too little, on the whole I should say the rates are too small. They are not remunerative; the underwriters would be better without the business, I think.

1994. But you are not afraid that that experience of the past will deter them from undertaking the business again, and even undertaking it on a much larger scale, should occasion arise?—All I can say is that after the terrible experience that underwriters had in the Russo-Japanese war, as soon as the Russian fleet was substantially destroyed they started writing risks at nominal premiums, and suffered severe losses by one or two cruisers that went about sinking these steamers. Underwriters are a most sanguine race of men.

1995. I gather from the paper you have been good enough to send me that you hold there would be a great danger of fraud in any national scheme?—Especially with the gratuitous scheme.

1996. You will perhaps just explain why, although it is fairly obvious?—One of the strongest arguments for insurance in the usual manner is that such insurance prevents fraud, and it also tends to prevent losses. It prevents fraud because the payment of a substantial premium is a deterrent to the fraudulent. Take an example. Assume that a particular voyage is known by a swindler to be hazardous. It might suit that swindler to ship produce or goods, either worthless or of very inferior quality, and to declare it at a fancy value. Then, should it be captured, his documents will all be in order, and he will recover the declared value from the State. But if he were compelled to pay a heavy premium he could not afford to face the possibility of safe arrival. Frauds of this kind have been attempted in time of peace; some have been detected, some may have succeeded. But the State is poorly qualified to deal with frauds of this nature. I could give an example of fraud if you think it might be useful to the Committee.

1997. I think it might?—Some few years ago policies were issued to the extent of £70,000 on coin from Asia Minor, from somewhere in the neighbourhood of Beyrout, to Marseilles. It was explained that this gold would have to be shipped as iron, because there was a local law prohibiting the export of specie. After the interval of a fortnight or so the underwriters were informed that the whole amount of £70,000 had been shipped in a local sailing craft, called a "mabrouke," from some small port on the coast, I think it was Jaffa, to Beyrout, then to be transhipped to Marseilles, and it had unfortunately been lost in deep water with this sailing ship. A gentleman was sent out from this country to investigate the matter, and he was convinced by the evidence he collected that no coin whatever had been shipped on board this thing, and he came back and informed the assured that their claim was fradulent, and the policies were returned to the underwriters. The assured lost the premium, and nothing was ever paid. Now the premium in that case was a considerable one. It was 40s. per cent. But, of course, it was not so heavy as would be a war premium, in all probability. It depends entirely on the voyage. A swindler would naturally select a very hazardous voyage, and he would have to pay a premium which would be a very serious tax upon his resources. If he could get a gratuitous indemnity the temptation to a fraud of that kind would be very great. I do not think that particular fraud would commend itself to a trader on a national indemnity; but the fraud that I think would take place would be the shipment of inferior or comparatively worthless goods declared at a high value. There would be a severe deterrent if the man had to pay the premium on that, because there is always the fear that the thing might arrive, and then he would lose all his money that he had paid in the way of premium.

1998. That objection, of course, tells especially against a scheme of absolute free guarantee in which no premium is exacted from the shipowner or merchant?—Yes, it does. Then it tells also, I submit, against State insurance, because I do not think the State is ever likely to be adequately paid.

1999. That is to say, you mean that the State would never receive premia adequate to the risk that it undertook?—That is my opinion. I think, indeed, that the promoters of this scheme, even those who approve of selling the State indemnity, wish to sell it under cost price, as it were.

2000. I think that is so. The object of a State insurance being that rates should never rise above a moderate figure, it is obvious that if there is a State insurance the State must take many risks below their fair value?—Just so.

2001. Then you have suggested to me that it would be impossible to distinguish betwen the British subject and the foreigner, or even the enemy, as the owner of goods and shipping?—Yes.

2002. Would you explain to the Committee where you think the difficulty arises?—It is difficult to avoid indemnifying the foreigner or even the enemy. There is no inconsiderable number of British steamers owned almost entirely by foreigners. One effect of the development of joint stock enterprise is that the old rule of law prohibiting foreign ownership of a registered British ship is evaded. I do not know whether that is clear to the Committee, but if not I will be happy to enlarge upon it.

2003. I think so?—Again, commerce is international. Ownership of goods passes by endorsed documents, and if this custom be limited commerce would be paralysed. Any attempt to go behind the holder of bills of lading and policies would, I believe, be highly detrimental to business, and acceptance of the usual tests of ownership might obviously result in subsidising the enemy. Assume war with Germany. A German house instructs its branch in Argentina to ship grain in a British bottom to England. The insurance is effected in the name of an English firm; the bills of lading are handed to the English firm, who pay for the cargo; the Germans capture the steamer, the loss is duly collected, and the enemy has got the cargo as well as payment for it.

2004. Therefore, for these reasons which you have now given, you are wholly opposed to anything in the nature of Scheme A, one of the draft schemes which have been sent to you?—Yes, absolutely.

2005. You are, I gather, almost equally opposed to Scheme B?—I may say I am quite as thoroughly opposed to Scheme B unless steps are taken to charge a premium commensurate with the risk. It is only because I do not think it could be done effectually that I object to Scheme B at all.

2006. Why do you think it could not be done effectually? I, of course, admit that it is not the intention of the proposers of such a scheme that it should be done, but why could not it be done?—I do not think it could be done, for this reason. Let us assume that the State conducts its business in a thoroughly businesslike manner, and that for the purpose of this scheme it induces—I do not know whether it would be possible to induce, but let us assume that it was able to induce, and did induce—the most capable underwriters in London to come and conduct the business. Of course, there would be a grave difficulty about that, because it would be taking them away from their ordinary business and giving them a temporary employment, which would be no temptation to them. But assume that could be done, even then it seems to me that those men would be almost certain to quote lower rates and inadequate rates in consequence of their new position. In their present position if they do not quote adequate rates they have got the penalty of ruin hanging over them. In that position it would be a matter personally of no moment. I do not suggest they would not wish to do their duty, because they would wish to do their duty, but there would be the impression, What I have got to do is to facilitate the business of the country, and I cannot do that by charging 30 guineas per cent. The whole thing would become loose, and they would want to oblige this man and oblige that man, and it seems to me that none of the ordinary methods that govern a business man would operate in such a case. Therefore I say it is not possible.

2007. Recognising your views on the proposals in general, I would like to go behind them, and say supposing we nevertheless wish to recommend a scheme, have you any observations to offer on details, for instance on the clause which we have suggested as to the losses to be covered by indemnity?—With regard to that it should be remembered that the words which are proposed here, and which are taken from the policy of marine insurance, are not those commonly used to cover capture, but those which are used to exclude war risks from the ordinary marine policy. They are therefore more comprehensive than the current form of war insurance. I do not know whether that is quite clear to the Committee.

2008. Would you tell us in what respects they are more comprehensive?—The old policy of marine insurance contains a number of antiquated phrases which constitute the war risk covered. The risks covered are of the seas, men-of-war, fire, enemies pirates, rovers, thieves, letters of marque, and all that sort of thing. Those are the operative words which cover war insurance. Then comes along the underwriter, and he says: "Now, I want to exclude all that." He consequently uses words; he does not mind how inclusive they are; the more inclusive the better, and he uses the strongest possible phrases to exclude what he wants to exclude. He uses much better words, for instance: "Warranted free from capture, seizure, and detention, and the consequences thereof, or of any attempt thereat, and *all consequences of hostilities* whether before or after declaration of war." That is very inclusive. Now, if you turn that round about, and make what he has negatived affirmative, you are taking a great deal heavier risk than the marine underwriter takes. If he issues a policy he says: "I will cover all the risks which are excluded by those words from the ordinary policy." Therefore he simply refers you back to the ordinary policy to find out what is covered. Even so the policy is, to my mind, extremely unsatisfactory. All sorts of questions arise with regard to steam vessels and so on, which never came before our courts at the time we were at war, and the result is that nobody really knows accurately what the law is. But at any rate, there is authority for making this risk much more onerous than it need be for the due protection of the merchant and the shipowner. I would strongly, with respect, advise the Committee that should they adopt this scheme, they should have a thoroughly scientific war policy evolved; consult the best people, and get a new policy altogether, and have done with this absurd old war policy that we have got. To take an example of the inconvenience of our war policy. A vessel is captured, and at once news reaches the owner of the fact of capture. There is authority for believing that he is thereupon entitled to abandon to his underwriters, and to obtain payment of a total loss, although before perhaps a week or two has elapsed that vessel may be released. That is an absurd condition of things. That perhaps puts an owner in the position of receiving £40,000 for a vessel which is only worth £25,000, merely by the fact of its being for a short time in the possession of a belligerent That is a thing that ought to be corrected. Then questions of the cost of taking steps to avoid capture ought to be provided for in the policy, and strictly defined. Why should a man put himself to immense expense to avoid capture, and then not be recouped any of that expense? In certain circumstances that is possible under the present contract. There are many other points—I need not weary the Committee with them—which ought to be dealt with in a scientific policy of war insurance.

2009. You have not, I suppose, tried your hand at framing a scientific policy?—No, I have not. What generally happens is this, that a war comes upon us unexpectedly. We then naturally fall back upon the only document we have got. That gets used continually. Then people will not take anything else; they get nervous. They say: "Here is an alteration. I must go to my solicitor and find out what this alteration means; we must get the opinion of counsel," and so on, and then everybody says: "This is very unsatisfactory; we ought to alter it." Then the war finishes, and they say: "Oh, it is no use altering it now; the whole thing is at an end."

2010. As regards the value on which purchased indemnity should be claimed, have you any observations to make upon that?—It seems to me that it is very desirable that all values should be agreed at the time when the insurance is taken out. Those values would then form the basis of the premium, and the assured would have the satisfaction of recovering the amount upon which he had paid premium, and he would be deterred from insuring too much, if an adequate premium were charged; whereas, if the values were left open I think there would be a grave danger of their shrinking in the event of arrival, and appreciating very heavily in the event of a loss.

2011-12. And I gather that, to take first the case of the ship, in your opinion it is not really possible fairly to fix the value of the ship after the loss has occurred?—No, I would not say that. I believe it is quite possible. In fact, it is constantly done. After a collision, where the wrongdoing ship has to pay for the sunk ship, the value is proved, and it is proved fairly to the satisfaction of all parties.

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2013. But does not that then militate against your contention that it is necessary to have the value fixed beforehand?—No. You see you put to me a question of possibility and impossibility. The question of convenience or inconvenience is another matter, and I think it would be highly inconvenient, because the value which might satisfy a man in ordinary circumstances might not satisfy him in the event of war. It is quite conceivable that a steamer's value might be greatly enhanced at a particular time in war. Another thing is a man venturing upon a war voyage, I think, ought to know what will happen to him in the event of capture.

2014. He ought to have a certainty?—Yes, he ought to have a certainty. I think so. I do not think it would be inconvenient to the State either. If the State were not well advised, of course the whole thing would be disastrous; but if the State were well advised I do not think there would be any difficulty in fixing a proper value.

2015. Then may I, in conclusion, ask you one other question? Am I to take it that you regard the present situation and the present provision for insurance in case of war as the best that can be devised, or would you advise any steps?—I think, on the whole, I should say that I do not advise any steps at all. But I have ventured in the paper that I submitted to throw out a hint in one direction. In the event of war it would certainly be an advantage to the commercial community if they were quite sure of the solvency of their underwriters, and I have submitted that the State might be useful to the commercial community, if they were to guarantee the solvency of existing companies and underwriters, so far as war risks are concerned.

2016. (*Sir Robert Finlay.*) If I have rightly followed you, you think that, assuming the State does anything in this matter, it should have a Department for insurance conducted on strictly business principles?—That is so.

2017. Do you propose any special machinery for the settlement of claims?—No; I should not propose any special machinery for the settlement of claims.

2018. Then your proposal would be that it should be left to the ordinary courts of law?—Yes. If my premise that the business is to be done on business principles is granted, then that conveys necessarily a proper system of examination and settlement of claims. Just as in an ordinary marine insurance company a claim is examined and settled, so no doubt in the State Department it would be examined and settled. If there were a dispute as to the merits of the claim, then I take it, it would go to the ordinary tribunals. I think it should do so.

2019. The decision of any Board or Committee appointed for examining claims in the suggested Department would be no more binding than the decision of those who represent the underwriters or the insurance company, which can be always challenged before a court of law if the person insured desires?—I think that should be so.

2020. That is your view?—That is my view.

2021. There are two points on which I wish to have any information at your disposal. The first is with regard to the question of the transfer of British shipping to a foreign flag. I gather that you are not apprehensive of that taking place to any considerable extent in the event of a war in which this country is engaged?—I am not, because I think it would be recognised to be futile.

2022. Of course you are aware that reference has very constantly been made to the experience of the great American Civil War, and the alleged diminution of the shipping under the United States flag in consequence of that. Have you any observations to make to the Committee upon that?—No, except that I would suggest that in that case, it being a Civil War, strictly localised, a transfer to the British flag would probably be much more likely to be operative than it would at the present day. Of course, one always had to take into consideration the unwillingness of one of the belligerents to extend the area of the war.

2023. With a neutral?—With a neutral. But you, Sir, are probably much better qualified to deal with this than I am. I have no special knowledge on the subject. But my impression is that the North in that struggle would have made almost any sacrifice rather than bring England into the struggle.

2024. But the transfer which was alleged to have taken place in consequence of the war was rather of the shipping of the North passing under the British flag, or under other flags, and the American flag no longer covering it?—Just so. It would apply conversely to the South.

2025. Your suggestion is, in the first place, that it was never challenged, and, in the second place, if it was challenged, neither party would have cared to maintain the challenge?—Yes; and it does not afford a convenient precedent for a war between two belligerents of separate nationality.

2026. I gather that your view is that the premium on neutral ships and goods would, under present conditions, be almost as high as on belligerent ships and goods?—It depends very much on what happens. That is the whole crux of the situation. If there should happen to be a remarkable respect shown for neutrals, of course premiums would be less on neutrals. All I suggest is that in the late war there was no very great respect shown to neutrals.

2027. You do not suggest that that is of universal application?—My impression is that in the wars of the future these international arrangements will count for less and less. The thing will become too desperate altogether, and they will do whatever will inconvenience the other belligerent, so far as they could do so without inconvenience to themselves.

2028. Would there not be the element of possibly quarrelling with the neutral if they carried interference to a vexatious extent?—Obviously, and that is the only deterrent.

2029. Would you regard that as an important element in the case of this country being engaged in war with some great combination of naval Powers, not including the United States of America? You are aware that it has been suggested that in that case our food supply would be in no danger, because corn would be brought in United States vessels to this country. Would you regard that as an element likely to maintain the supply of food in this country, owing to the reluctance of our enemies to embroil themselves with the United States by declaring corn contraband of war, and seizing such vessels?—No; I am absolutely convinced that there is no protection for the food of this country except the British fleet.

2030. How would it work out in practice? Suppose the United States were sending vessels under the United States flag with corn here, do you apprehend that our enemies would declare corn contraband of war and confiscate those vessels?—I have no doubt they would.

2031. What would the effect of that be upon the United States?—I imagine the effect might be to drive them into alliance with us, but the belligerents would count the cost. If it paid them to do it they would do it. All I mean to suggest is that I do not believe that international arrangements would have the smallest weight. What would have the weight would be: Shall we extend the area of the war? and that is all. That is my humble opinion.

2032. But would not the danger of driving the United States into alliance with us be a very considerable factor in determining the action of the enemy in such a matter?—It might be, but it seems to me highly probable that if there were a combination of European Powers against Great Britain that combination would *ab initio* have to face a combination between Great Britain and the United States. I should think that would be a primary factor in the situation. But that is a question of State politics on which I am not competent to express an opinion.

2033. Your view is that in case of such a combination they would have counted the cost of going to war with the United States as well?—I think so.

2034. Just one other matter. I gathered in answer to the Chairman you said you thought it possible there might be panics, particularly in the early stages of a war, sending up the premium for insurance beyond what the risk fairly justified?—Yes. I think the premium for insurance would seldom be exactly in correspondence with the risk run. It would be sometimes more; it would be just as often less. But I think the tendency would be to underestimate the risks if the British fleet kept its end up. If it did not, then I do not believe things would be insurable at all; it would all go by the board at once.

2035. Apart from such a catastrophe as that, I suppose there might be panics on the insurance

markets, as on others, sending the rates up?—I do not believe myself in a panic on the insurance market without adequate ground, and therefore "panic" is not the word for it. "Justifiable apprehension" is a better phrase.

2036. Using the word "panic," I rather meant to indicate unjustifiable apprehension?—Just so.

2037. That is to say that the premium asked was out of all proportion to the risk, owing to men's nerves getting excited rather owing to a series of captures?—Experience is against that.

2038. I gather your view is that even if that did take place to some extent it would right itself?—Yes, I think so.

2039. (*Captain Ottley.*) Apropos of that remark you made with regard to the temptation to dishonest persons to put worthless goods on board a ship, in the event of there being a State indemnity, and then perhaps to declare the goods and the ship herself to be of great value, I feel that is, no doubt, one of the frauds that we should have to try and guard against. Do you think that if we made it an integral part of either Scheme A or B, or any other scheme which was eventually evolved, that no indemnity would be paid on any vessel which had not insured her ordinary marine risks, that perhaps that might tend to do away with frauds of that particular nature?—I think not at all, because the ordinary marine risk would be probably a mere bagatelle. You might have your fraudulent shipment in a first-rate ship, without the cognisance of the shipowner at all. Then the ordinary marine risk on that might be a quarter per cent., or might be 3s. 4d. per cent., a mere bagatelle that the man could face at once. War risk might be very serious; he would have to think twice before he embarked on that little fraud.

2040. And of course if there was no premium at all, any value that he declared, in the event of the capture of the ship, would be clear profit, less, of course, the very small value of the fraudulent goods, which I take to be negligible?—The notion of giving away this indemnity strikes me as being grotesque.

2041. Then there was one other very interesting remark you made which interested me very much from the naval points of view. You instanced the defects of the old war policies, more particularly in regard to the loopholes they allowed for large profits being made. I think you took the case of a ship, news of the capture of which was received in London, and you said thereupon the owners might rightly abandon to the underwriters at once and claim a total loss?—Yes, leaving the underwriters to the salvage.

2042. Yes. Of course you say in such a case as that, the declared value of the ship and cargo may be £40,000, when perhaps the actual net value was less, and then ten days afterwards you might hear that the ship was released?—Yes.

2043. The point I wanted to ask you about that was this. That, I think, would, no doubt, be a pertinent case if this country was a neutral. But if this country was a belligerent, and that was a British ship, we cannot contemplate that the ship would be released?—It might be recaptured. It is the same principle.

2044. I should have thought that there was a difference. That would be releasing the ship in the case where there was no valid capture, but in this other case it would be a valid capture?—Yes, but the injustice is just the same in the event of a prompt recapture. Why should the underwriter pay an enormous fine merely because the vessel has been temporarily in the possession of the enemy? It is not proper indemnity at all.

2045. Yes; I see your point. Then there were one or two points arising out of Sir Robert Finlay's questions I should like to ask you a question or two about. You think that the insurance of neutrals would not be very much less than the insurance upon belligerent ships for certain reasons which you have given us. Then do you think really in a war with this country our enemies would be likely to proclaim food stuffs to be contraband, and raw materials to be contraband, and manufactured goods to be contraband, to such an extent as to put the neutral absolutely on a par with the belligerent. Is that likely?—I should think it is more than likely. I should look upon it as a certainty.

2046. That is tantamount to saying that you believe that a country at war with ourselves would be prepared to directly proclaim an effective blockade of the entire British Isles. No neutral ship would have a right of coming in, because whatever goods she carried would be liable to capture, because they would be contraband of war?—The question is whether that constitutes an effective blockade.

2047. No; I am wrong in my words. It would, in effect, be a blockade of the British Isles, declared by our enemy, because nothing could get into the British Isles?—That would be its result if they were able to carry it out—yes.

2048. Then of course that would instantly bring our enemy up against the Declaration of Paris, which most civilised countries of the world have now signed, to the effect that a blockade in order to be binding must be effective. Now, is there any power in the world so strong at sea that she could effectively blockade the British Isles, that she could put her ships so closely round the whole periphery of these Isles that she could effectively blockade them?—I devoutly hope not, I am sure. I should think it is probably quite impossible. But excuse me, I do not quite follow this argument; that is to say, I do not at all follow that because a belligerent declares all food stuffs and raw materials to be contraband, he is therefore establishing a blockade in the technical sense.

2049. Not in the technical sense, but in the practical sense, because I ask you what ships is the belligerent going to let pass by?—I presume if he declared food to be contraband that merely gives him the opportunity of capturing any vessel containing food. That is a different thing, it seems to me, from establishing a blockade. However, that is merely a point again for which I cannot claim any authority at all.

2050. Of course it is fundamental to the question we are considering, because if it really is the fact that the neutral and the belligerent will be absolutely on a par in any future war, then there is no particular reason, from one point of view, why we should have a national indemnity at all, because one of our objects is to prevent our ships from being driven off the seas in war time by the tremendous competition of neutrals?—Exactly.

2051. (*Chairman.*) That is the witness' argument. What you are now stating is what the witness has been telling us.

2052. (*Captain Ottley.*) Yes. What I am anxious to try and ascertain is whether really, pressed home, that is the view, that we are to assume that our enemy will declare every kind of goods that are being brought into these islands to be contraband of war. Can you tell me what goods you think he would not declare to be contraband of war?—I do not know what measures he would take, but if he follows the example of the belligerents in the recent war, he will not scruple to sink neutral vessels that do not contain contraband at all, even on his own declaration.

2053. That, of course, I suppose you would agree, would result in bringing him into violent polemics, at all events, if not into actual hostility, with almost the whole of the rest of the world?—I believe it has only brought the belligerent in this case into very mild despatches.

2054. I think you have only got to carry it far enough. If a few more of these things had happened, do not you think that might have had the result of bringing us into war?—We stood a great deal, I may say, in the late war.

2055. (*Mr. Beauchamp.*) I think you will admit that if there were a considerable number of captures in the early stages of the war, the premium would go up?—Necessarily.

2056. Very considerably?—Necessarily, justly.

2057. And I think we generally understand that one of the reasons why the Admiralty are in favour of a scheme of indemnity is to allow them perfect freedom of action and not to be obliged in the early stages of the war to go directly towards the protection of commerce?—That may be a motive.

2058. I think we may take that as the Admiralty view, and it would naturally follow, I think, that there would be a considerable number of captures in the early stages of the war, and therefore the premia would rise, and if the premia were to rise to any considerable extent, do not you think that that would limit the insurance market?—I do not follow these premises. If the British Fleet neglect British commerce, and there are consequent captures, of course

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premiums must rise. But I should assume that the protection of commerce would be one of the primary objects of the existence of the fleet.

2059. I think I am right in saying that it will not be. I think the Admiralty want to be free not to go directly to protect commerce at the moment, but to go for the main fleets of the enemy, and then premiums would undoubtedly rise?—Of course whether the British fleet is capable of protecting commerce, or whether, as a matter of fact, it does it, it amounts to the same thing, does it not?

2060. Ultimately it will protect commerce, but immediately on the outbreak of war it will not attempt it. I assume that that is the view: it will not attempt to protect commerce directly?—But then the indirect methods that it may adopt may be the most effective protection possible.

2061. Ultimately?—But primarily even. If you destroy an enemy's base it may be primarily.

2062. That is getting rather into technical matters. But I think one of the objects of the Admiralty in advocating any scheme of this kind is to free them from directly protecting commerce at the earlier stages of the war. Now we had manœuvres this year, and a large number of the vessels were captured in the early stages; so that it may be difficult, under any circumstances, to protect commerce directly on the outbreak of war. About fifty per cent. of the vessels were captured under those circumstances. Assuming there was a very much smaller percentage, say even 5 per cent. or 10 per cent., that would send up the premium immediately, would it not?—Obviously.

2063. Out of all proportion really to the ultimate loss?—Not out of proportion to the current risk.

2064. If you had a certain number of vessels in one day posted as being captured, say three vessels, would not that send up premiums very considerably?—I think justifiably, but only for the nonce.

2065. When premiums had got up, what premium would act so as to close a large portion of the insurance market?—You see, so much depends upon the nature of the captures. If there were one or two Atlantic liners captured the effect on the insurance market would be tremendous. If there were one or two moderate-sized tramps captured the effect might be comparatively small.

2066. We will suppose three tramps captured between Gibralter and this country in one day. Do not you think that the premiums would rise very considerably?—I should say it would. I should say it would be very heavy on that voyage, but probably not so much on Atlantic voyages.

2067. What I want to get at is at what premium do you think the market would be very much restricted; what percentage of premium, 10, 15, or 20 per cent?—I do not think it is possible to fix it in that way.

2068. But if the average premium on war insurance amounted to 15 per cent. on a particular voyage, do you think that the market would be large?—Yes, I think it might. I think the increased premium might tend to enlarge the market, provided it appeared to be adequate. There was a good large market at the 30-guinea rate.

2069. How much do you think it would cover at 30 guineas?—We covered £50,000 on a bottom at 30 guineas.

2070. You are practically against really any scheme, but more particularly are you against the scheme A, the free indemnity?—Yes, I am very strongly against that.

2071. You have gone even so far as to describe it as grotesque?—Yes.

2072. Have you considered the alternative, and how much simpler the A scheme is than the B scheme? Have you contemplated what it would mean, supposing you had a scheme of payment for insurance, that you would have to set up a large staff and really an insurance department after the outbreak of war? Would it be possible to do that, do you think?—But I think you would have to have your staff for the A scheme, too.

2073. In the A scheme you only would have to deal with actual losses?—But there is the registration and record of the risks. Surely you could not have a man merely walking into the office and saying: "I want £50,000; my ship is captured."

2074. That is the idea, of course, of Scheme A. What objection do you see to that. He has to get his bare value fixed after the loss?—With regard to ships it is difficult to say precisely what the objection would be. But what is a bare value? What I mean is we know that many ships exist which, if they were run down in collision, it would be a source of the greatest joy to the owners, and at the value they would get from the Registrar of the Admiralty Court. Similarly there must be many ships that it would be a very pleasant thing to have captured at the value that this Committee would have to give them. There would be a congestion of these ships in the most dangerous places.

2075. You think that would be the case?—I think it is obvious, unless you are going to alter human nature altogether.

2076. You said you thought the man ought to know beforehand what he was going to get?—Yes; I am dealing with the other scheme entirely.

2077. Under Scheme A he would not know beforehand?—No, he would not.

2078. Therefore there would be no particular inducement to that man to lose his ship. He would not know what he was going to get?—Yes, he would; he would know within reason. A man knows pretty well what he will get from the Registrar of the Admiralty Court, and he would know what a Committee of this nature would give him. But with goods I do not know where we should be landed under a scheme of gratuitous indemnity.

2079. But do you think it would be possible to set up a Marine Insurance Department after the outbreak of war, where they had to fix a premium commensurate with the risk?—I think it would be extremely difficult, extremely impolitic, but very much better than the other scheme.

2080. Then you said that under this scheme something would be included; it would be more inclusive than it would be necessary to be?—Yes.

2081. You are only going to cover things which would be ordinarily covered by an English policy of insurance?—I thought not.

2082. Yes; if you look down page 2: "Losses to be covered by indemnity as ordinarily covered by an English policy"?—Yes.

2083. So that we should really only be covering what would be covered under what we call a war insurance policy?—Yes, excepting that I think this wording is somewhat ambiguous. It says: "Capture, seizure, and detention by the King's enemies, and the consequences thereof, or of any attempt thereat, and all consequences of hostilities or warlike operations by or on the part of the King's enemies, whether before or after the declaration of war, as ordinarily covered by an English policy." As you, of course, know the English policy is to cover the risk excepted by that clause.

2084. This does not bind us to this particular absolute wording, but our object was not to give the man anything more than he would have under a policy whereby he took the risks which were excepted by the clause?—Yes, that meets my point to a certain extent. Of course, as you know, I hold that the whole business of our war policy wants revision badly.

2085. That meets your point?—To a certain extent it does.

2086. (*Sir George Clarke.*) I think you have admitted that the rates of insurance would vary very much from time to time; there would be very great fluctuations?—Very great, I think.

2087. And that those fluctuations would depend not upon the total magnitude of the war losses, but on the way in which the losses occurred at different periods of the war?—Yes; they would vary according to the captures of the moment.

2088. If the captures came in a quick group at an early stage of the war it would produce a very high rate of insurance at once?—I think so.

2089. If a large Atlantic liner was captured at an early stage of the war it would produce a great rise in premium?—I think it would.

2090. Although it would not be a measure of the risks in the seas at that particular moment?—I think it would be a measure.

2091. It might be simply a chance, might it not,

whether a big ship or a small ship happened to be in that particular place at the particular time, so that it would not be a measure of future risks?—I beg your pardon, I think it would be a measure for the next few days, and the rate would vary from hour to hour and day to day.

2092. Then taking a view of the war as a whole, it is quite clear that insurance cannot be based on any accurate calculations at all. As you say, it varies from day to day. You also say it depends upon the circumstances as to how it varies?—Yes; from 5s. to 30 guineas in our recent experience.

2093. Gratuitous insurance, you say, would not ensure our supply of commodities, but cheap insurance, or insurance kept at a uniform level, would serve to prevent the check on supply arising out of a rise in the insurance rates?—No, I am not sure of that.

2094. Are not steady conditions for the shipowner and the cargo owner the conditions which are most likely to enable him to carry on his business?—Oh, he can carry on his business, but his profit or his loss depends, I think, upon the number of captures, not upon what he pays. It depends upon the scarcity or abundance at the port of destination.

2095. But if his insurance rates may be 5s. per cent. one day and 30 guineas per cent. the next, that must surely hamper him very much in his operations and his calculations?—Yes; that is to say, the captures would reflect themselves in the rates. The evil, I submit, is in the capture, not in the rate.

2096. But the keeping of the insurance rate level must be of assistance to him?—I think it would be an immense boon to the shipowner and the merchant, at the expense of the community.

2097. I think you say that if the State undertook war risks it would be necessary that it should be recouped. You put that as a *sine quâ non*?—That is my view.

2098. But you admit that no calculations of a rate that would actually recoup the State for the losses in a long war would be possible?—No. It must be fixed, I suppose, by men who are accustomed to estimate risks, and must be fixed to the best of their ability.

2099. Then in your paper you say that any attempt to lay down fixed rates in advance, to hold during the whole war, would be absurd?—Yes.

2100. Because the sole consideration must be that the rates must be commensurate with the risk?—Yes.

2101. But you still have explained that the rates can never be made really commensurate with the risk, because nobody can calculate them?—No, only as far as possible commensurate with the risk. What I have submitted is that if you fix a premium beforehand, then you will get all the bad risks and the underwriters will get all the good ones. Assume you fix a premium of 2 per cent., then every risk that the underwriter will take for 1 per cent. you do not get; every risk that he would charge 5 per cent. for you get at 40s.

2102. That, of course, is perfectly true, but you would admit that it might be advisable in the general interests of commerce that that advantage should be given to the trading community?—I think not, because I think it would be so grossly unjust to the rest of the community.

2103. Then your objection really is that the rest of the community would have to pay too much for it?—They would have to pay not only the indemnity, but they would have to pay the enhanced price resulting upon scarcity following on the captures as well.

2104. But there is nothing in the nature of things that makes a fixed rate unscientific. If you had anything like data, of course, you could make it absolutely scientific by spreading the risks over the war. If you assume that the British commerce at sea will be so much, and that the total losses of the war in cargoes or ships will be so much per cent., you can get a rough estimate of what the losses will be over the whole war. If you fix your fixed rates on that, and if you knew that, it would be quite scientific?—I do not think so.

2105. That is exactly what you cannot say?—No, With due respect, I disagree, because if you get an average rate fixed over the war, embracing all sorts of different periods of risk, then you may be unduly favouring the man who passes his shipment through at a period of maximum risk, and unduly fining the man who passes his shipment through at a period of minimum risk, because you have only got the average.

2106. That is perfectly true, but regarding the State as an underwriter for the time, it would be all right as far as the State was concerned?—Even there I do not think it would be quite right, because you have to consider the effect on prices in the interim. If you could imagine the State as one great entity—that is, supposing that it were entirely a Socialistic community—then I think the argument would be correct. But as it is not, I think you would be favouring individuals at various stages.

2107. Then your objection to a fixed rate is not so much that it is unscientific, but that it would lead to unequal incidence on individuals; the State would favour one individual at the expense of others?—I should say it is unscientific because it is inappropriate to the conditions.

2108. But still it would be scientific if it had the effect of steadying insurance throughout the period of war and helping to keep things going?—I do not agree with that use of the term "scientific," but it might be useful in that way.

2109. In the Japanese case that you have referred to, at what period did the underwriters get the idea into their heads that the Russian Navy was no good?—I think they started with that idea that the Russians were no use at sea.

2110. In that particular case the area over which captures were made was limited really; whereas if we were at war, with our commerce spread all over the seas, captures would be liable to take place anywhere. The cases are not the same?—Not by any means; therefore it gives underwriters a better chance. In the case of Vladivostock everything was converging to Vladivostock, and at one period the Japanese got every ship there was. But with our immense coast line underwriters would have a much better chance. Ships could run from one port to another, and it would be impossible to watch all the ports.

2111. (*Chairman.*) I want to ask you one more question in reference to what you have said about the losses to be covered by indemnity. Is there any form of war policy now in use other than by reference to the excepted risks in ordinary marine policies?—I think some of the war clubs have a different code.

2112. But not in use outside mutual clubs?—No, I do not know of any one in use outside mutual clubs.

2113. Could you form any idea in your own mind of what the insurance rates on a cargo of corn coming across the Atlantic would be likely to be in the early weeks of war if we were engaged with a combination of European Powers?—It is very difficult to forecast that in any way. The question of convoy would arise. You see if we had got a combination of European Powers against us it might really become necessary to convoy fleets of merchant steamers across the Atlantic. All those questions arise. I think it is impossible to estimate the risk without regard to the exact circumstances of the moment.

2114. I will not press you for a figure if you do not feel inclined to give one. Some of the witnesses have ventured to give us a figure. You would prefer not?—They are gifted with better imagination than I am.

ELEVENTH DAY.

Tuesday, 23rd April 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE H. MURRAY, K.C.B.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. DOUGLAS OWEN, called and examined.

Mr. D. Owen.

23 April 1907.

Mr. Douglas Owen, in a preliminary memorandum,* had submitted:—

(1) That the objects of a scheme of national guarantee are:—

(*a*) the cheapening of food supplies and raw materials during war;

(*b*) the protection of the national shipping interests;

(*c*) the protection of the manufacturing and export trades;

(*d*) the provision of cargoes for our shipping in United Kingdom loading ports.

(2) That there is reason to believe that one of the effects of the Declaration of Paris will be to drive trade into neutral vessels, and that high rates of insurance on food stuffs and raw materials will affect us disastrously.

(3) That in the interests of British trade a law should be passed reviving the Navigation Laws, imposing a cargo tax on goods imported in neutral vessels, and prohibiting sales of shipping to neutrals, to become operative in time of war only.

(4) That a scheme of State guarantee initiated in peace, and open to all ships on payment of a registration fee, and its acceptance by the State, is desirable. (Mr. Owen's scheme is printed in full in the Appendix.)

(5) That Scheme A, with some alterations and additions, is preferable to Scheme B, which would be unworkable.

2115. (*Sir George Murray.*) You have been kind enough to prepare a very complete scheme for the Committee, for which I am sure they are very much indebted to you. You gave evidence, I think, before the Food Supply Commission?—Yes.

2116. You have been engaged in insurance business for a good many years?—Yes.

2117. The Committee have before them your scheme, so that I think it will be hardly necessary to go through it verbatim, or clause by clause, but there are a few questions I should like to ask you?—If you please.

2118. In the first place, to take what I may call your premises, I gather that your view is that the provisions of the Declaration of Paris, though they are likely to facilitate and even insure the arrival of our supplies, will in all probability prove fatal to our shipping industry and our carrying trade?—Yes, I feel that strongly.

2119. As you put it in one part of your memorandum, we are in fact in the grave dilemma that exactly in proportion as the Declaration of Paris gives us free supplies, so conversely, does it drive trade from British to neutral bottoms. If we had to choose between the two, I suppose you would prefer that we should get our supplies, and leave our shipping industry to take its chance?—I should not like at all to have to make the choice, but I have been connected with shipping for a great many years in an academic way, and I am very alive to the great danger to our British shipping. I regard the shipping industry, as probably we all do, as really the greatest industry of the country, and I could not willingly see the greatest industry of the country left to take its chance.

2120. But you would rather have supplies in neutral bottoms than no supplies at all?—Unquestionably.

2121. Then I imagine you would not agree with the view which has been put before us by very competent witnesses here, that, judging by the experience of the Russo-Japanese War, the advantage of neutral shipping in time of war is more or less illusory now; that so little respect is paid by belligerents to neutral rights that the rates on insurance, and I presume freights and so forth, are not very much in favour of the neutral shipowner?—That is rather a difficult question to focus all at once, but so far as I can understand it I should not agree with it. I should not be prepared to admit as a broad principle that the rights of neutrals are neglected by belligerents. I do not think so. There may have been instances in the late war in which we may have seen rather glaring instances, as we thought, of one belligerent country disregarding the rights of neutrals, but I do not think as a broad proposition the proposition is true. I do not think it is a proposition to be counted on in the future.

2122. As a matter of fact you would not agree that even in the late war the rates had been so nearly alike as I have suggested?—I cannot focus the thing. I really do not know. I should not like to say off-hand.

2123. I think one witness went so far as to suggest that a Japanese vessel would not have been charged a much higher premium than an English vessel, contraband of war apart, of course?—A Japanese vessel where from?

2124. From Rangoon to Yokohama?—From Rangoon to Yokohama with rice.

2125. (*Sir James Mackay.*) Would you say that a Japanese ship would have to pay a higher rate of premium than an English ship?—Of course, I am not an underwriter, but I should think that the Japanese would have to pay a higher rate. Rice, no doubt, is the staple commodity of the Japanese Army as well as the Japanese people, and it is very much an open question whether Russia would not be entitled to seize rice going to Japan, on the ground that it was going to the Japanese Army. Of course, in English law the cargo would not be confiscated, but paid for. But the Russians would not take that view.

2126. (*Sir George Murray.*) However, speaking generally, you still think that the neutral shipowner in time of war would have a very considerable advantage?—Unquestionably.

2127. And so much so as to practically drive belligerent shipping off the sea?—Certainly. In any case,

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especially where there can be no question as to the belligerent nature of the cargo; that is to say, if the cargo was Manchester stuff, and such things as that I think there could not be any question. The case of rice which was put just now is one of the very delicate and difficult questions one has to consider.

2128. Of course, that is a question of contraband?—Very near it.

2129. Then your proposal is practically to neutralise by special measures the advantage which the Declaration of Paris will give to neutral shipowners?—Over British ships, yes.

2130. And you propose to do that by three measures? The first is to close the trade within the ports of the Empire to neutral shipping?—Re-introduce our Navigation Laws, in fact.

2131. Have you thought how far that would conflict with our present Treaty obligations?—That I do not know. I have especially made a note about it. That is what I do not know. I know our Navigation Laws as regards our coastal trade were only abolished in 1854, and I know the Americans have got them still right round the coast from New York to San Francisco. I know the French have got them, and other countries have got them.

2132. I think you may take it that in nearly all our Treaties of Commerce and Navigation we have guaranteed what is called national treatment to the contracting parties, and if we have, it seems to me that that would be an insuperable difficulty to closing the trade, would it not?—It looks a very serious objection if that is so. If the Treaty is merely that of a favoured nation clause, under which nobody shall be treated better or worse than another, that is a different thing altogether. But if we have undertaken to put them on the same footing as our own ships, I fear that as the Treaty is now drawn that would be a serious bar.

2133. I think that is so. I think a Treaty of Navigation nearly always guarantees national treatment, and not the most favoured nation treatment?—If so, that is very serious.

2134. Would not a Treaty of that kind be an objection to your second proposal too—namely, a cargo tax on British goods exported in neutral vessels?—I should think it is the same question.

2135. Then your third proposal is to prohibit the sale of British shipping to neutrals in time of war?—Yes.

2136. You think there is machinery to carry that out?—No doubt about that. That could be done easily.

2137. Do you know what the steps are that have to be taken to transfer a British ship?—I know there is very considerable formality to be gone through—transfer on the British Register, and so on. It is a very serious business; no transfer can be made except by complying with very strict and pretty clearly defined regulations.

2138. It occurred to me on reading those proposals that the object of them being, as I say, to neutralise the provisions of the Declaration of Paris, it would be a shorter way to withdraw altogether from the obligations of that instrument. Of course, one of the principal features of the Declaration of Paris is that the neutral flag covers enemy's goods. You are proposing to take very great care that the neutral flag should have no English goods to cover. Would it not be better to make short work of the Declaration of Paris and get out of it altogether?—Without having just recently considered that question, I should think that would be the best solution of the whole thing, if we could do it.

2139. Do not you see something rather illogical in adhering to the Declaration of Paris and then passing three measures such as you propose?—No, I do not see anything illogical in that at all. I think the passing of the Declaration of Paris in the way it was adopted was a gross blunder. But having now discovered that the blunder is there, I think we are quite within our rights in doing what we can to protect ourselves as the great maritime Power against the consequences of the blunder. I do not think it would be illogical.

2140. I gather that you do not think that a scheme of indemnity such as you propose, if carried out completely, would be sufficient without these other three measures?—I do not think it would protect our shipowners at all. It would simply save their pockets as regards war premiums.

2141. Would not that be a sufficient protection?—No, because merchants would still pick out neutral ships. Supposing you had got a neutral ship and an English ship loading at Liverpool, a merchant would say: If I send my goods in the neutral ship there is no bother about it; she cannot be captured. If I put them on board the English ship they may be, and I have got to pay insurance premium.

2142-4. But the hypothesis is, is it not, that the premiums would be the same?—Yes, but the avoidance of insurance premium is not everything. The British ship will always remain exposed to the delays incidental to hostilities and to Admiralty orders, while the neutral ship will sail without interruption to her destination; and, after all, what a shipper wants is to get his goods to their purchaser. This is what the purchaser wants, and the shipper will do his best to fulfil the wishes of the purchaser. If the British ship be captured, say on the way from England, the State will pay the value, actual value, of the goods captured, but not, as I take it, the profit which the consignee expects to make on them. Therefore, the consignee will give instructions to ship by neutral vessels. No doubt the fact that there will be no war-premium to pay will go a great way to put the British on a level with the neutral ship, but by employing a neutral ship, risks of delay and detention and, in the case of outward-bound ships, of loss of destination-profit, will be avoided. Therefore, I believe that neutral ships (which, moreover, will probably be able to carry cheaper crews, and therefore to charge lower freights) will always get the preference.

2145. Then to come to the scheme itself, I see you think it ought to be started and in working order in time of peace?—If it is to be any good at all.

2146. And you think that it should be tested in its working. I did not quite understand how you proposed to do that?—Here is a big new scheme untried. War breaks out suddenly, and everybody at sixes and sevens; no one knows anything about it. It is in the same way as we test our Navy every year in manœuvres of some kind or another; every scheme ought to be tested to see how it works, more especially a quite untried scheme of this kind.

2147. But how would you propose to test a scheme which depends on the existence of a belligerent?—You can only test it up to a certain point—that is to say, you can ask the shipowners to fill in their forms saying where their ships are, this information to be immediately posted to Lloyd's, and everything would be done in the same way as it would be in the case of war. Up to that point everything, in peace or war, would be on the same footing. I grant you cannot hold up ships all over the world in time of peace; but the essential or preliminary part can be tested.

2148. Then I pass to the establishment of the Fund. In Section 2 you speak of the co-operation of the Admiralty. You say the Lords of the Admiralty shall proceed without delay to formulate instructions for the guidance of the owners of enrolled vessels on the outbreak of war. Those, of course, would be very general directions, because the specific directions and the important directions would depend on the circumstances of the time?—No doubt.

2149. What kind of directions had you in your mind?—Would you be so kind as to read that again?

2150. "On the passing of the Act"—that is at once on your assumption—"the Lords of the Admiralty shall, in consultation with the Trustees and the Committee of Lloyd's, proceed without delay to formulate instructions for the guidance of the owners of enrolled vessels on the outbreak of war, including a system by which the owners, on public notification in that sense, shall immediately inform the Admiralty as to the position and voyage of their vessels enrolled"?—Those would be instructions *ad hoc*; general instructions that the shipowner must not send his vessel on until he has got the special instructions. He must hold her up wherever she is. If the ship happens to be lying at Cape Town, for instance, his captain is to understand that he is not to sail to-morrow as he would otherwise sail, but he is to wait instructions.

2151. Do you contemplate that it would be possible when war breaks out to give individual instructions to each ship in every part of the world?—Of course the moment war breaks out, as I take it, it will be flashed all over the world. Everybody will know it at once.

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Every shipmaster will know what his position is then, that he has got to wait for his instructions. It is incidental to my scheme that every shipmaster will be fully impressed with the fact that if war breaks out he has got to "stand by" till he gets his orders. Then the only question is how soon and by what means those instructions can be got out. It seems to me if there is a British Consul on the spot the instructions can be cabled out to him, or the shipowner here would learn from the Admiralty what the instructions were as regards that particular ship, and he would cable them out. Of course, one must assume the existence of the cable.

2152. And the instructions so given, I presume, would say that some particular route is more dangerous or less dangerous than another, or some particular route would be absolutely prohibited?—That would have to depend on the voyage. The instructions might be, "Proceed at once," or "Proceed in the ordinary course." They might be. "Wait further instructions." They might be, "Proceed to such and such a place for rendezvous; or for further orders." It would depend absolutely on the voyage and the war conditions.

2153. And those instructions you contemplate would be issued by the Admiralty all over the world, not to shipowners in this country for communication to their captains?—My idea is that I, being a shipowner, fill in one of the Government forms and send it in to the Admiralty or Lloyd's. I have got ships in three different parts of the world, I will say, at ports or due at ports. I ask for the instructions of the Admiralty having regard to the voyages of those ships, and they would say, perhaps, "As regards one and two there is no reason why you should not proceed, but as regards No. 3 that must be held up for the moment at any rate" and the owner would cable that out as he cables out his other instructions.

2154. Do you think that a scheme as detailed as that could work in time of war, involving as it does, consideration by the Admiralty of the voyage of every ship on the ocean at the moment?—Yes, I think it would. No doubt there would be a good deal involved, but if you are to have any scheme you must have some basis of that kind. As regards many of the voyages the Admiralty would regard them as practically out of the danger zone, and could instruct *en bloc* accordingly. I do not see why it should not work.

2155. You think merely general instructions would not be enough?—No, I do not think they would be any good. You must discriminate between safe voyages, dangerous voyages and doubtful voyages.

2156. Then we come to the establishment of the Board of Claims. It has been suggested to us that a new clause for the covering of war risks would be desirable. I gather from your statement that you are satisfied with the existing Lloyd's policy and the various legal interpretations which have been put upon it, which enable shipowners and underwriters to understand exactly what the state of the law is?—Yes.

2157. You would not attempt to meddle with that?—I should not, because there is no branch of marine insurance in which the law is more clearly defined, owing to a long course of legal decisions, than that of the law of capture. We all know it, or can find it by turning to our text books. Of course, there will be always some unsolved questions, but there is no branch of marine insurance in which the practice is better settled. I think the moment you begin to introduce alterations you produce confusion, even if the alterations are in themselves desirable.

2158. Then do you attach importance to this point in Sub-section 3 of Section 3: "The Board to have power to sue and be sued as if it were a public marine insurance company which had insured war risks only, under a Lloyd's policy"; and lower down you say, "Claimants to have right of appeal direct to the Court of Appeal in the case of any rejection of a claim on the grounds of alien ownership of the property or otherwise." Do you not think there would be a great advantage in making the decisions of this Board of Claims absolutely final without any appeal whatever?—You see, one of the great objections to any scheme at all is that it will be in the hands of Government officials, and Government officials do not, and in the nature of the circumstances cannot, understand the requirements of business men. The business man, the merchant or the shipowner, if he sustains a loss goes at once to his insurance company, and if the thing is in order—and in nine cases out of ten it is—the thing is settled and he gets the cash almost so to say on the nail. My idea was that to overcome that objection there should be a body established as nearly as possible practically identical with a marine insurance company or with Lloyd's. If a shipowner goes to his Lloyd's underwriters and asks for payment, and the Lloyd's underwriters say "We do not consider that you are covered by the policy," he brings an action in the first Court, and if judgment is given against him, and he is dissatisfied, he goes on to the second Court, and sometimes in the House of Lords he will still get judgment on appeal. I think if you are going to say that this body, whatever it may be, is to say yes or no and that this shall be final, that will not suit the merchants. They will say, "We have less confidence in this body than in an insurance company that we know, or in Lloyd's underwriters whom we know and who know us; and as in dealing with our own people we have the right of appeal and they have the right of appeal, why should this new body be on a new-fangled system?"

2159. I quite appreciate your distrust of the methods of public departments?—I do not wish to disparage them, but I see the difficulties of this particular case.

2160. I thought you provided against that in your own scheme, because you say, to begin with, "The Board to consist of nine underwriting experts, being Claims Examiners of Marine Insurance Companies"?—That is true, but I think there are three Government officials in it, and perhaps shipowners and merchants, like the rest of us, are influenced by usage. They have been in the habit of insuring all their lives with a certain company or with certain underwriters at Lloyd's, and they will say, "Oh, no, we know those people. If you are going to turn us on to strangers we do not know where we are; besides which our own friends to whom we have been in the habit of giving our business have got their individual reputation for liberality to maintain, and these people collectively have not."

2161. They would be more likely to be liberal in dealing with other people's money?—No; underwriters pay a lot of money for which they are not liable, simply for the reason of their reputation for liberality to clients. If underwriters dealt with claims only on their strict legal merits, the assured, in difficult cases, would come much worse off.

2162. Then you think they would be less liberal in dealing with other people's money?—Yes, because their individual reputation would not be at stake.

2163. Will you look at page 7 of the paper, No. 18. There, in order to arrive at the value of the ship, you have a special committee called the Ship Valuation Committee, which has on it three representatives of shipping, three representatives of the Association of Average Adjusters, three representatives of underwriters, and, I observe, only one Government representative, so that even on that Board there would be a very large representation of what I may call the commercial element as compared with the official element?—Yes, clearly. Really it is not an official question at all. Establishing the value of a ship is a mercantile question.

2164. Might not you say the same of the questions that will be submitted to the Board of Claims?—I should not object to saying so, and excluding the official element, at all. I rather think I put that in out of deference to what would probably be the official view; they would not like to be out of it. But to exclude them would suit me still better.

2165. Then if the Board of Claims was constituted in what you would consider an ideal way—that is, excluding as far as possible the official element—do not you think that the commercial community would be satisfied with their decisions, without any further appeal?—Yes, I am inclined to think so, though it is not certain. But decidedly they would want to be sure that the official element was not represented.

2166. Even in your scheme you have let the official in to a very small extent?—That is quite true. You see shipowners and merchants are very suspicious indeed of official methods, and they would want to feel sure that in dealing and being dealt with they were being dealt with by people who understood exactly what the needs were, and what was usual and what was required.

2167. I thought your scheme had provided for that very well, and quite sufficiently, because after all the great majority of the questions which the Board of Claims would have to decide would be questions of amount or value, rather than questions of law or of

fact?—Undoubtedly; but sometimes there is a question of principle involved which may strike the outsider as a small principle, but it is quite enough to hang a very large sum on it.

2168. Then you propose that a Register should be published annually of all the vessels enrolled under the scheme, and that there should be a fee charged for registering?—Yes.

2169. A fee varying according to tonnage?—Of course, as regards the amount of the fee I had to put in something to make my meaning clear, and that the Committee should have something to consider. What the amount should be I am not prepared to say. My figure may be reasonable or it may not. My idea was to put in such a fee that, while it would produce a substantial income, at the same time would not be such as to deter the shipowners in any way. They would see that they were still getting a great advantage. The object would be to make the fee as high as you could without divorcing the sympathies of the shipowners.

2170. Do you mean that the fees should cover anything more than what you may call the administrative expenses of the scheme?—Yes. Why should the shipowner get all this for nothing? At present they are paying a large sum for it. We are not here to make them a present. Then if they are not to get it for nothing, if it is worth their while to pay something for it, how much shall they pay? If they can pay enough to produce a substantial sum towards the expenses of the scheme, whilst still gaining substantially by it, all the better. I have not any figures in my mind at all, but supposing it to cost shipowners £300,000 a year to insure against war risks—it may be £3,000,000 for all I know—and my figures here say that they shall pay to this scheme £100,000 a year, it is quite obviously immensely to their advantage to save £200,000 a year. But if we can get from them £150,000 or £200,000, quite obviously, from the point of view of the State, it is immensely to the advantage of the State that we should have a fund rolling itself up year by year to meet the time when it will be called upon. I forgot what I call the suggested figure, £50,000, I think. Taking the shipowners by themselves, and calling it £50,000 a year, in ten years there is more than half a million, and supposing fifteen or twenty years pass, we have a million in hand to start with. I do not think the nation is called upon to do this absolutely for nothing for the shipowner. I do not think the shipowner would expect it or want it.

2171. What struck me was that your figure was either too high, or too low. It would be very difficult to look forward to 50 years peace, or any other number of years, and you would always be in the difficulty that the shipowners would say, "You are rolling up too much," or if the war did come you would find you would not have enough?—Supposing the shipowner were to say, "You are rolling up too much," the answer would be, "It does not matter to you; it is costing you less than insurance would have cost you; we shall have war one of these days." Shipowners will not mind as long as it is not costing them anything.

2172. You think that, at any rate, a tax of 7d. per cent. on the value of the tonnage would not be excessive?—No. I think they would pay three or four times as much as that to insure.

2173. Yes, you put 2s. per cent. per annum as about the charge for insuring war risks in time of peace?—Yes, on a twelve months' policy. As I say, I am not an underwriter, but that, I imagine, is pretty near the mark.

2174. Then we come to the cargo owner's contribution to the cost of the scheme. That is Section 8 of your memorandum. Your suggestion there is that the receipts from the stamp duty on marine insurance should be ear-marked as a contribution from cargo owners?—Yes, that is the effect of it. I do not know whether, as a matter of fact, it is possible to ear-mark contributions in that way but I suppose it would work out in this way, that the Inland Revenue would transfer the equivalent to the fund.

2175. But would that be a contribution from cargo owners?—Certainly, purely. I mean policies on cargoes, not on ships.

2176. Not from shipowners?—No, absolutely from the cargo owner. You see, the cargo owners, as it is, pay (subject to certain exceptions) a duty of 3d. per cent. on every policy they enter into. They have paid that, or a larger sum, from the very beginning, from the time of George III., or whenever it was. Of course, logically, as I say, there is absolutely no defence for the tax at all, but if the cargo owner were to be called on to contribute to the scheme, then there is at once a logical justification for the tax, or whatever you would like to call it, and, assuming that things remain as they are now, the stamp duty that they now pay for fiscal purposes would be a stamp duty for the purpose of paying the insurance premium—to the support of the State Indemnity Fund.

2177. But my point is that the present marine insurance duty covers insurances on hull, and, I suppose, freight, as well as cargo?—It covers everything. You see, the shipowner has to take out his own policy on the ship. That is one stamp duty. He has to take out his own policy on freight; that is another stamp duty. The cargo owner has to take similarly a policy on his cargo; that is a third thing. They are not bound up together, each stands on its own merits.

2178. Then, as I say, the present receipts from marine insurance duty do include contributions by shipowners as well as cargo owners?—Yes. What are they?

2179. (*Mr. Lindley.*) On the basis of your figures they work out at 4¼ millions. Assuming 17,000,000 tons at 6d. per cent. on a valuation of £10 a ton, it comes out at 4¼ millions?—£4,250,000. Does not Mr. Lindley mean £42,500? It is per cent.

2180. (*Mr. Beauchamp.*) The whole stamp duty is about £220,000?—Yes, I think it is something of that kind. But I do not think I am suggesting here any stamp duty to be collected from shipowners. I think I am simply dealing with the cargo.

2181. (*Sir George Murray.*) Then you would have to alter the incidence of the existing marine insurance duty, so as to include so much of it as is now levied on policies insuring hulls and freight?—My view is that the insurance duty is all wrong, and ought not to be charged at all, but inasmuch as there is no reason why cargo owners, who are going to benefit vastly by a scheme of this kind, should benefit without paying anything for it, I should like the tax to remain, in respect of indemnified cargoes, the amount collected to come through the Inland Revenue to this scheme.

2182. Then we come next to the vessels and their freights capable of enrolment. The vessels capable of enrolment would be any vessels owned in the United Kingdom and so registered. Then you go on to discuss whether indemnity should only be given on vessels coming to this country or vessels sailing from it?—Yes.

2183. It would be just as necessary, would it not, to protect our export-carrying trade as our import trade?—I think so.

2184. The two stand practically on the same footing?—I think so.

2185. Then the voyages on which cargo is covered appear to be all voyages to British and neutral ports, and all voyages from British and neutral ports?—All voyages from the United Kingdom to colonial and neutral ports, yes.

2186-92. Then you have excluded certain goods from the scheme. I could not quite follow on what principle you had gone for that exclusion. Why do you exclude watches, for instance?—My idea was that a scheme of this kind should protect the nation's supply of food and raw materials. That is all we want to do. It is very difficult to draw a line. Somebody said at the Food Commission that pianos should be excluded, and I said you cannot begin to tinker and draw a line here and draw a line there. But I think you can draw a line in this way, that such things as pictures and watches, and so on, are not raw materials and not necessaries, and more than that, sometimes particular questions of values are mixed up with them.

2193. You have included various other things besides food and raw materials?—Yes, because of the difficulty of drawing a line.

2194. Do you not think it would be simpler not to exclude anything?—No. I think these things stand on a different footing.

2195. It would be a very long list, would it not?—No, I think this list covers very nearly all.

2196. But your idea is to exclude everything that is not either raw material or food?—No, I would not say that. The idea that one had in one's mind was that all that was necessary for the purposes of the guarantee was raw material and food. But as soon as you begin to draw the line it is so difficult, if not impossible, to say

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what is raw material or a necessary, that I thought it better to let everything in, simply excluding by name these things that are quite obviously not necessaries at all. As regards gold and silver, it would not be desirable that a merchant should go and put a lot of gold and silver on a ship at the nation's risk. Special provisions ought to be made for that.

2197. It might be rather important for the nation under certain circumstances?—Then let them put it on a warship, as they used to do in the old days, and make special provisions. We do not want to have a million pounds worth of gold coming home from the Cape, or wherever it may be, simply on the broad understanding that the Government runs the risk. It should be on a warship, or special provision should be made.

2198. I do not quite see why you except gold and silver?—Because of their very great value in a small compass, for one thing. That is the first thing. Secondly, they are certainly not what we understand by raw materials. I think you must draw a line somewhere, and I have drawn it as low down as I can. I had in my mind, for instance, somebody sending home a work of art, which, he says, is worth £500,000, and we think it may be worth £5, or anything of that kind. It produces all sorts of difficulties. You are dealing with things that there is no market value for, to some extent, and all kinds of difficulties will be created unless you knock out things of that sort. We know the value even of pianos, for instance; but when you come to works of art, it is a different thing. As regards shipments of gold, which in a way no doubt is both a very important raw material and a necessary, they can, of course, be included in the scheme, but to protect the scheme the inclusion should involve compliance with special provisions as regards shipment and carriage.

2199. Then, as regards the risks to be covered under the scheme, you put in first the ordinary risks of capture, seizure, and detention, and then, you think, you would add a clause protecting against losses by seizure or damage to ships or cargoes, by, or on behalf of the King or the King's allies. Is there such a clause in the policy now?—No, because the policy covers losses generally. It would include that.

2200. It would include that?—Yes. It is a capture or seizure or sinking, whatever you like to call it. The ordinary policy is against capture or seizure or sinking.

2201. That would cover capture or seizure by the Government?—By the Government, yes.

2202. Then why do you think it is necessary to add that?—Because if you are simply going to put the first clause in, the ordinary underwriters would be liable for sinking a ship to block the mouth of the Thames; whereas the Government would be liable if the same ship was captured by the enemy. As soon as you are going to differentiate between the two things, then you will have to juggle with the wording of the policy. But any losses resulting from war should be taken out of the marine policy altogether. Of course, these things will not happen often, but it is better for them to go in as part of the Government's risk. Supposing the Government sinks a ship at the mouth of the Thames in time of war, or does anything else of that kind, the merchant would under existing methods go to the underwriter, the underwriter would pay him at once, and would then in the name of the assured go to the Sovereign.

2203. But if a loss sustained in that way is already covered by the free-of-capture clause, why do you want to add anything to it?—I am afraid I have not made it clear.

2204. (*Mr. Beauchamp.*) It is not covered by the free-of-capture clause. It is in the policy as a whole. But it is not covered by that particular clause, if you separate the two?—That is so; the proposed clause, merely against hostile capture, would not cover it.

2205. (*Sir George Murray.*) What words does it come under now?—"All arrests, restraints, and detainments of all Kings, Princes, and Powers whatsoever, losses, and detentions at sea, and maritime risks"—a long string of words.

2206. Then it is not in the war-risk clause, but it is in another part of the policy?—It is covered in the policy exactly the same as an ordinary capture is covered. It is a loss. The marine policy is practically against all losses arising at sea. A marine policy covers an intentional sinking by the Government for war purposes, just as it covers a simple capture. I say if you are going to take out a simple capture and put it on the State, take out an intentional sinking too.

2207. I think I follow. Then you raise a question of what should be done in the case of a doubt whether a loss should be attributed to war or to perils of the sea. I suppose you would say that the indemnity would only cover a loss positively proved to be due to capture, or the action of the enemy?—No, I would not say that. The merchant or shipowner wants to feel he is not going to fall between two stools. If his underwriter says, "This loss was due not to perils of the sea, but to a torpedo, or something left lying about as the result of hostilities, and you must go against the Government for it," and if the people administering the Government indemnity scheme say, "Oh, no, there is no proof that it was done by a torpedo at all, the ship presumably ran on some wreckage, we are not going to pay." Then the merchant may be in the position of not being able to recover from anybody. An English underwriter would not take up that position unless he had good reason for it, but if he took up that position, the Government would under my scheme say, "All right, we will pay, and we will go against the underwriter." Then the merchant or the shipowner would feel that he was in any event protected, and that there was no risk of falling between two stools.

2208. Then it would enlarge the scope of this scheme very much?—No; these things are very rare. There might not be one in a whole war, or there might be a dozen at the very outside.

2209. It fits in with one feature of your scheme, which is to constitute the indemnity board as if it were a marine insurance company?—Yes. If a man is insured by an ordinary marine insurance policy including war risks, and his ship is lost at sea, he goes to the underwriter and says, "My ship is lost." It does not matter whether the ship has run against wreckage, or been wrecked by a torpedo, the underwriter says, "I am liable to you." But if the underwriter, under the scheme, is to be put into a position to differentiate between causes of loss, then, unless the merchant or shipowner is sure of recovering, he will be liable to fall between two stools, a thing which he has a holy horror of.

2210. He might do that now, if there were two policies?—Yes, he might. Such a thing might quite possibly happen.

2211. Do you think it is common to separate the war risk from the other?—It is common—that is, frequent—but it is only a comparatively small portion of the whole.

2212. What does the insurer do now under such circumstances? Does he proceed against both?—Such things, as I say, are not common. He might sue them jointly, or he might arrange that the underwriter who had got the worst case should pay him, and that the underwriter, having paid, should go against the other one. Or the two underwriters might agree to share the loss. It would work out in that way, somehow.

2213. Do not you see a very great advantage, so far as administration is concerned, in leaving the onus of proof of a loss due to war on the person who claims?—Yes, it always is on him, but then you get occasionally a difficult case, where the element of uncertainty comes in. Proof can only go to a certain point, and if the insurer says, "All the evidence points my way," the underwriter may say, "Well, all the evidence that you have got, but we are inclined to think so and so."

2214. Of course, it would be highly desirable to exclude as many elements of litigation as possible?—I do not think this would make for litigation at all. Really, it is putting the insured just in the same position as he is now where he insures his ship, not including war risks, with a company, and the war risks with Lloyd's. He is quite familiar with the position. There is nothing novel about it.

2215. In Section 13 you say that at the outbreak of hostilities, or in anticipation of hostilities, the ostensible owners in the United Kingdom of cargo destined for a port in the United Kingdom for orders, must make their option immediately. What exactly do you

mean by immediately? Before they start on the voyage?—No, they are on the voyage already. We will say bills of lading have been sent to me here from a shipper in some part of the world with a cargo of wheat. I am the owner of that cargo, inasmuch as I hold the bills of lading. The ship is ordered to come to Falmouth for orders. I study the position of the market day by day, and when the ship is telegraphed as having arrived at Falmouth, I have to decide whether it would be most to my interest, as cargo owner, to send the ship across to Antwerp or Hamburg, or let her come to Liverpool or London. But when war occurs, I have to make that option immediately, although the ship has not arrived. I have to guarantee to the Government that when the ship arrives she shall go to a certain port. There must be no juggling about it. We do not want to be in the position of paying for a cargo that, after all, would have gone to a Continental port. The man must make his option at once.

2216. Suppose the owner of the bill of lading was outside the United Kingdom?—If he were, he would have somebody in England acting for him. There must be somebody in England to give instructions to the ship at Falmouth. If he is not here, he will be represented.

2217. And his representative would have to exercise the option?—Yes, somebody who is empowered to speak for the cargo. It does not matter who it is, whoever claims the power, and is recognised by the shipowner as having such power.

2218. What is essential is that the option should be exercised before the ship arrives, or before it is captured?—Yes. We do not want things hanging in the air as to whether a ship is going to a foreign port or an English port. Of course, the ship may be at that moment waiting at Falmouth for orders when war is declared. He must decide at once whether it is an English cargo or a foreign cargo. If it is an English cargo it comes under the scheme; if it is a foreign cargo it does not.

2219. And suppose it has been already captured somewhere in the middle of the Atlantic before he exercised his option?—I do not know whether it is conceivable that that should happen. I have not thought of that.

2220. It is not an improbable event, of course, in the early days of a war?—He has got to make his option immediately, the instant war breaks out. I do not see how a ship could be captured in mid-ocean without the man in England knowing that hostilities had already begun. Instructions could not be sent to a ship in mid-ocean. I do not see how it is going to arise.

2221. At any rate, he would have to exercise his option immediately on the outbreak of war?—Immediately. If this scheme is going to start in peace, to start at once, then the instant war breaks out everybody knows it, and the men who hold the bills of lading must decide immediately.

2222. After war has broken out?—After war has broken out he must not make optional contracts.

2223. (*Mr. Lindley.*) Might not the seizure of a boat in mid-ocean be the first act of war almost? In consequence of this Marconi wireless telegraphy, instructions might be sent out to a warship in mid-Atlantic?—Of course, it introduces a new risk. That is a possibility.

2224. It might be simultaneous?—It might conceivably be simultaneous. I confess I had not thought of it. In view of the contingency it might be advisable to exclude altogether cargoes carried with option of a foreign port of discharge. It would be reasonable and easy to do so.

2225. (*Sir George Murray.*) But this business of shipping to order, you think, would stop at once on the outbreak of war?—It would have to be stopped. If a man is going to be covered under the scheme, the bill of lading must be clear and precise, either for a British port or for a foreign port.

2226. In Section 14 you say, "the fund is to be liable for all losses under the scheme, affecting cargo, the error, neglect, default, or fraud of the master, agents, or owners of the ship notwithstanding." That seems rather a large liability for the fund to undertake?—It is a liability. I do not know whether in practice it would be a large one. I should think not. But if the fund is to have public confidence, you must have a liability. It is like the Forged Transfers Act with a public company. It is only a detail. Unless an English shipper or consignee is going to feel he is absolutely covered, he will have no confidence in the scheme, and the scheme will be disliked and criticised, and it will not go down. You must make the man feel he is absolutely protected, and that there is no loophole. The Government might say, "The owner defrauded us." The cargo-owner will retort, "I cannot be responsible for the captain; what could I have done? My underwriter would not have raised such a point as that."

2227. Would not he?—I mean to say it does not come into ordinary underwriting at all. You are introducing a new risk.

2228. That is what I was coming to. Why should you put the fund in a different position from an ordinary underwriter?—Because you are creating a special set of instructions, and therefore, to some extent a special set or risks, under this scheme, which do not exist under the ordinary method of working.

2229. But they would be exactly the same risks, supposing there was no fund at all?—I am assuming the risk here, where the captain holds out the ship to be an indemnified ship, when she is not, or when he disregards instructions, and sails when he ought not to sail. That ought not to involve the ruin or the loss of the merchant, who is relying on this scheme in good faith, and he cannot be responsible for the acts of the captain in another part of the world.

2230. I quite follow you on your second point, if he disobeys instructions, but if he misrepresents the character of his ship, is that a proper liability for the fund to indemnify?—It is not a liability that one would accept in the ordinary way, except, as I say, under the Forged Transfers Act, but here you have, we will say, a ship loading at Buenos Ayres, and the banker is asked to make an advance. He makes inquiries. He does the best he can. He turns up the Register of Indemnity, and he takes all precautions open to him, any precautions a reasonable man could take. All the time the captain is lying; the ship is not indemnified at all. He has skilfully and falsely represented that his ship is some other ship of the same name and about the same tonnage in the Indemnification Register. Is the merchant, for whom practically that banker is acting, to have no remedy at all in such a case as that? I say the scheme which creates the possibility of such a fraud must be its own antidote to it; it must indemnify him, or there would be no confidence in it.

2231. I should have thought he might have a remedy against the master of the ship, or the shipowner, but it seems to me very difficult to say that he ought to have a remedy against the British taxpayer?—I think he ought, and let the British taxpayer then take his rights against the shipowner for what they may be worth. You have got to swallow something in a scheme of this kind; you must deal with it broadly. If the British Government invents a new scheme it must take with its benefits any disadvantage which possibly may be incidental to the scheme. This thing which is pictured will not happen. Of course, there may conceivably be such a case, and I am providing for the possibility. I referred to it merely as a remote though perhaps possible contingency. If there is such a risk, we must take it. As soon as you begin to split hairs in a big scheme of this kind, the scheme will fall through. I say it with all respect.

2232. (*Chairman.*) It is a rather big hair?—No, I do not think it is.

2233. (*Sir George Murray.*) It seems to me it covers an enormous amount of possible fraud?—No, I do not think it. Where is the interest of fraud? Will you put a concrete case, Sir?

2234. Would there not be considerable interest in the master of the ship to pretend that his ship was indemnified, when it was not?—Not only would it be most difficult to perpetrate such a fraud, but the risk of punishment would be great. It has got to be a British registered ship, to start with, and the master is liable to fine and imprisonment. He will not do it without the instructions of his owners; that is quite certain. You can imprison his owners. And why should they do it? If people approve of the scheme, all the ships will be registered under it. If all the ships are registered under it away goes all the question.

2235. Of course, it would only be possible in the event of the shipowner having thought it wiser not to

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register?—Then you have got him here. He is liable to fine and imprisonment. Is the temptation sufficient? What is the temptation? I do not think anything of it myself, really.

2236. Then as regards deviation and delays, you do not make the fund liable for anything unless the delay amounts to as much as 30 days?—That is to say, a ship held up in port. If the ship is, under the instructions of the Admiralty, held up in port, it is at the risk of the owners for the first 30 days. If she is kept there longer than that, then the owners will be paid demurrage.

2237. Only demurrage?—Demurrage is, I suppose, a comprehensive term. The scale of payment would have to be fixed, and that would be the name for the scale of payment.

2238. But you expressly exclude compensation for damage to cargo, do you not?—That concerns the owner of the cargo. I am speaking of the owners of the ship. The owners of the cargo get nothing.

2239. And it would be only the ship which gets demurrage?—Only the ship.

2240. I think you say somewhere that that is not paid for now under any policy?—No. Ships constantly break down or put into a port of distress, and a ship that ought to make a voyage in two or three months, may take a year over it possibly. The cargo may have sustained great loss in that time. That is the loss of the merchant. The underwriter does not guarantee that the ship shall make the voyage in any time. That is the risk of the merchant.

2241. Is loss by delay never covered?—No. The only losses that underwriters are liable for are losses directly caused by perils insured against. They do not insure against delay. They insure against perils of the sea.

2242. Then I see you propose to allow a shipowner to insure against war risks to the extent of 10 per cent. above the actual value?—Yes.

2243. Do you think it is necessary to allow him as much as that?—10 per cent., of course, is quite an arbitrary figure. I think shipowners would perhaps say it is not enough. I suggested 10 per cent., as being in my opinion probably what would be sufficient.

2244. What does that margin really represent? Is it possible value to the shipowner himself owing to the peculiar circumstances of the moment?—I do not know. Shipowners always do over-insure. You may call it what you like. Broadly stated, they do always over-insure. Suppose they were only to get their actual value. They suffer a good deal of incidental loss; they have to wait while a new ship is being built; the market may have gone up against them. They want to insure against losses of that kind. Take a ship that cost you £10,000 yesterday, she is lost in six months' time, iron has gone up, and you have to pay £12,000 for it; therefore the shipowner insures her for £12,000. Underwriters know it perfectly well, and they have not the least objection. It is all done in good faith, without concealment or the least idea of fraud.

2245. Taking those figures, would not you say that the actual value of the ship at the moment of capture was £12,000 in these circumstances?—Of course, you might, but questions of deterioration come in. I am only stating broadly the principle. The shipowner wants to be on the safe side, quite naturally and properly. Then also he may have taken on a lot of coals. He does not consider they are sufficiently covered by the policy. He insured his ship perhaps in his own mind, as an empty ship, with only a certain amount of coal on board. For certain reasons he has taken three times the usual amount of coal. He may want to insure that specially, and if he does not, he wants the amount insured against the ship's loss to cover him. He will get it one way or the other. There is a good deal of vagueness about it, but he wants to be on the safe side, somehow or other.

2246. Of course, the larger the margin you allow in these cases of over-insurance, the more risk there is of defeating the object of the scheme. The object of the scheme is to prevent any rise in prices, or values, or freights, or anything of that kind?—Yes. It is not very much. Supposing a war premium is 5 per cent., and you allow a shipowner to insure for £110, instead of £100; 5 per cent. on £10 is not very much—10s. on £100, and of the ship only.

2247. *Pro tanto*, it diminishes the value of the scheme?—Yes; but the "tantum" is so very small.

2248. But you would agree that the smaller the margin it is necessary to allow, the better?—Yes. I quite agree with you in principle; only you have got to satisfy shipowners, and I do not think that a 10 per cent. increase on the ship insurance will hurt the principle we have in view.

2249. Do you allow cargo to be insured in the same way?—No, I do not think so, because those uncertainties as regards value of cargo do not arise. The value of the cargo is what it will fetch when it arrives, if it is sold on the market. We have to assume that if the cargo arrived all right, the man would sell it on the market at once. That is the price he is entitled to—no more and no less.

2250. Do you draw a distinction between the value of the ship and the cargo for that purpose?—Yes, because the cargo is going to be sold at once. The ship, which is a money-earning machine, never is. The cargo is coming here to be sold.

2251. Is the shipowner entitled to more than he would get if the ship was sold?—Yes, I think he is, because the mere fact of a loss involves him in incidental losses. If the ship is lost he has got to wait a year before he can get a new ship. He cannot go into the nearest market and pay so much for a new ship. He has to have it built, and all the time he is waiting he is losing the earning power of that ship.

2252. In fact, you would say the difference was that the ship was not meant to be sold and the cargo was?—Yes; and it is always a question what is the actual value of the ship. It is the same as in the case of a fire at your house; your stair carpet is destroyed. What is the value of a stair carpet? Is it what you paid for it originally, what you could have sold it for, what it is worth to you after it has been worn, or what it will cost to buy another one? What is the value? I do not know. So with the ship.

2253. But you do not see any difficulty in settling the value of the ship by this method?—No, so far as it is ever possible to settle the value of a ship conclusively.

2254. You think there would be no difficulty in settling the value of the ship?—No; the value of the ship has to be settled constantly in case of loss resulting from negligent collision.

2255. I should like now to ask you one question on your criticism of Schemes A and B. In Scheme A the persons entitled to claim indemnity are "The owner of any ship registered in the United Kingdom, and the owner of any cargo liable to capture, carried in such ship." Subject to what you say about colonial ships, I think you agree substantially with that?—Yes.

2256. The Colonial question, of course, must be left for further consideration?—Yes, I think so.

2257. Then as regards the cargoes to be covered, you say if the object is only to protect supplies to the United Kingdom the question will be narrowed. If it is also to protect our shipping against neutral competition, and our national manufacturing and exporting industries, then it must be widened, and you suggest that the cargoes to be covered by the indemnity should be cargoes to the United Kingdom from colonies and neutral ports, from the United Kingdom to colonies and neutral ports, and from neutral to Colonial ports?—No, I think we stop there—not the last.

2258. Those seem to be quite clear. I am not sure why you exclude neutral to Colonial ports or Colonial to neutral ports, except that that depends upon how far the colonies come into the scheme?—You see the object is primarily to indemnify cargoes to or from the United Kingdom. We are thinking of ourselves, our own country, and therefore it does not seem to me that we are directly or immediately concerned in shipments from neutral to Colonial ports. The colonies will look after that; it does not affect us.

2259. Except so far as they were in British-owned ships?—We are dealing simply with cargoes, not ships.

2260. Yes. Then you suggest that the capture and seizure clause should be amended. That we have already dealt with?—Yes, that we have discussed.

2261. Then we come to Scheme B, which you describe as utterly unworkable?—Quite.

2262. You say it is impracticable, because war premiums vary from day to day, and according to the nature of the risk. I think the scheme realises that, and I do not think it professes to meet the whole cost of insurance. It is merely an attempt to levy part of

the cost?—Then what part? I should want to see a sketch of the scheme. I say that on the facts before me it is utterly unworkable. If anybody thinks it is workable, let him draft it. Let us see a draft of it—the principle of it.

2263. As it stands, you think it is quite unworkable?—I am dead against it. It would be colossal.

2264. Suppose, instead of your fee on enrolment, you substituted a fixed premium at a very low rate, say, 5s. per cent., would not Scheme B, with that modification, come very near your own?—That only relates to ships. It is the cargo that would be the difficulty. As to 5s., I incline to think, offhand, that the average premium on cargoes is about 10s. Are you going to charge 50 per cent. or 5s., whether the ordinary premium is 5s., 25s., or 50s.? If you have a fixed premium per cent. for ships, or if you have a levy as I propose, I do not think there is anything in it; it is practically the same thing. I think my plan is the simpler, and it has other advantages. But the cargo is the difficulty. How can you possibly deal with the cargo under Scheme B? Ships you could deal with.

2265. The only difficulty would be that the cargo varies more often than the ship, I suppose?—If you think of what a ship brings; take one of these ships bringing 10,000 or 20,000 tons of cargo, split up amongst 200 or 2,000 different consignments, each of those 200 consignments, or whatever number there may be, having to be separately insured; if you think of all those to be dealt with in one office, all the ships coming from all parts of the world, thousands of people coming to insure, you would not have an office large enough to hold the people coming in. A man would sit there all day and all night, and not be able to see the underwriter. As it is, if you go to Lloyd's and want to see an underwriter, who is doing a big business, you see a regular queue of people waiting to call on him with their slips. You would want a place like the Albert Hall, and underwriters sitting all round it.

2266. No doubt, if you had a bargain between shipowner and undertaker, but, suppose you had fixed premium on cargo and ship?—I should like to see the uniform system.

2267. Do not shippers do something of the same kind now. Do not they take out a policy on cargo of any kind that they wish to ship in the next six months?—Yes, in certain cases, they do that under a policy at a fixed rate; it might be 20s. or 60s., whatver it would be. Of course the open policy may be for cargoes or shipments either for ships or for steamers. You see at once there are two classes of rate for that. Then the rate again would vary as to the nature of the steamer, or the nature of the ship. Then it would vary as to the nature of the cargo, and the risks the merchant decided to cover. When his declaration comes forward, then he knows at once, being in the habit of dealing with these things, what the rate should be, and he goes to his underwriter, one individual underwriter with whom he is in the habit of dealing, and he initials the declaration at a certain rate. I grant that the premium for war risks would not vary in the like proportion, but if you are to have all the merchants in London coming in to one man, the thing is absolutely impossible.

2268. No doubt, if they had to deal personally with the board, or whatever the body was, but could it not be done under some general system?—I cannot think of any such system to be workable. I thought it out to see if anything could be done, and I do not think it is possible.

2269. And it would not be possible for the shipowner to settle that with the shipper?—No, he does not know who his shippers are. Cargo comes by rail or water, from 2,000 or 3,000 miles off; it is put on board; he hardly knows what it is; he does not know who the people are.

2270. (*Mr. Beauchamp.*) The difference between your scheme and Scheme A is practically that under your scheme the vessel must be enrolled beforehand?—That is so; or, rather, it is an essential part of my scheme.

2271. I do not mean the details of it, but that is the main principle?—That is the principle of my scheme, certainly.

2272. What advantage do you see from the shipowner being obliged to enrol his ship ahead?—Because under this arrangement you get some control over the cargo. If you are going to impose on the nation the immense value of these cargoes, you want to have some say in what is going to done with the cargoes. You do not want them to be run into the mouth of the lion.

2273. But under any scheme of indemnity they would be obliged to place themselves under the control and direction of the Admiralty?—The ship would, or the cargo would?

2274. The ship?—I am assuming that.

2275. They would under any circumstances, whether enrolled or not enrolled?—If they are not enrolled they are not indemnified.

2276. Under Scheme A they would be?—Which is Scheme A? I am not quite clear.

2277. That is the free indemnity. Every British ship would automatically come under the scheme?—Yes. If you are going to make a compulsory scheme of it——

2278. Not compulsory. Any ship may come in?—But then, when a ship has come in, are you going to put her on the same footing as a ship that has not come in, or conversely? You must know what ships you are dealing with.

2279. On page 2 it says the owner of any ship registered in the United Kingdom is entitled to claim indemnity, but he has to comply with certain conditions, which are set out on page 4. Then on page 4 it states the conditions which have to be complied with?—It does not seem to me that this deals with the case where war breaks out suddenly, and ships are already at sea.

2280. Look at "N. B."?—What are those special provisions?

2281. Those would have to be worked out in detail afterwards?—I think they would.

2282. I do not see quite the advantages of the enrolment. If you have to enrol you get a good many of the difficulties which have been suggested to-day on the part of the shipowner and master, in holding out that he was an enrolled ship?—You may get rid of those, but I am inclined to think you would substitute others for them. It is very difficult for me to criticise a scheme that is not before me, but I think if I had your scheme before me, I could, as far as I understand them, show the dangers you were running.

2283. (*Sir George Murray.*) Would it not be practically your own scheme without the enrolment?—I dare say it would; but the enrolment plan is an essential of my scheme, of which the parts articulate. If you make and substitute other joints, I do not know how far they would articulate. But you do want, really, to have a firm hold on the shipowners, and also you want to raise money from them. Why is this to be done for nothing?

2284. (*Mr. Beauchamp.*) I was coming to that?—I should like to say I have worked out my scheme from my own point of view, and, of course, it may be capable of improvement, but it is very difficult for me to criticise a scheme that is not before me.

2285. But the broad features of it are before you. It is the details only which are wanting?—Well, so far as it is before me, I am against it. I think if you want to have a complete hold on a ship, you must have a scheme of enrolment. Of course, if you can show me a scheme under which that could be got over, away goes my scheme of enrolment, at any rate if the other is better. But the enrolment plan seems to have great advantages.

2286. Then you suggest that enrolment would bring in a certain amount of money?—Yes.

2287. Do you think the shipowner, in a time of profound peace, would enrol his ship, when he knows he can enrol it at any time just before the outbreak of war?—My impression is that in the way in which I have drawn this he has not got that option.

2288. (*Sir George Murray.*) You have given him a provision for late enrolment. He pays an extra fee?—Yes, but even in time of peace, to-day, he pays a premium. You do not insure your ships against war risks for nothing. Under my scheme he is not going to be able to hang back till the last moment and then come in on the cheap.

2289. (*Mr. Beauchamp.*) No, but every shipowner at the present moment would not come in, I suppose, and enrol his ship. At the present moment he does not find it prudent or wise to pay any premium of in-

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surance at all on his ship against the risk of capture?—You mean shipowners generally are not paying?

2290. Shipowners generally?—I think if that is so, it is because they will not pay the premium that underwriters ask.

2291. Yes; I know it is quite a small premium, but very few shipowners insure against the risk of capture?—When a shipowner insures his steamer for time you ordinarily include war risk.

2292. Oh, no.—You do not?

2293. Oh, no; most exceptional.—That is to say, you are going to charge an extra premium if he insures?

2294. If he insures.—He would like to insure, only he does not like to pay the premium you would charge.

2295. He will not pay the small premium of 2s. 6d.?—2s. 6d. My scheme is based on 2s.

2296. You are going to force him to pay?—I am going to force him to pay 7d. on the exercise of his option to come in. If you were going to say to the shipowner, instead of charging you 2s. we will charge you 7d., and give you a full policy, do not you think they would come in?

2297. I think they might, but I am not sure?—I think they might, too, from what I know of shipowners.

2298. With regard to that part of your scheme relating to the National Board of Claims, in the first place you have got a Board of Claims, then you are going to allow the shipowner to go to the Court of Appeal, under Section 3, and then when you get to Section 18 you say, "In the event of the failure of the Board of Claims to agree with shipowners as to the actual value of the vessel, the question shall be referred to a committee to be appointed by the Trustees." Is that interposed between the Court of Appeal and the Board?—I think when I was speaking of the Court of Appeal I had in my mind the ordinary case of judgment in a suit, where the shipowner claims to be paid, and the Board of Claims refuses on the ground of non-liability to pay him. Then the shipowner says, "Very well, I will appeal against your decision." But in fixing the value of the ship, the Court of Appeal would not come into that at all. The Board of Claims has simply to arrange what the value of the ship is, and if they cannot settle it, very well, then refer it in the ordinary way.

2299. (*Mr. Lindley.*) You mean the ordinary reference by "The Court of Appeal"?—Yes, the ordinary reference.

2300. (*Mr. Beauchamp.*) Then with regard to the stamp duty, your suggestion is that the 3d. per cent., or the stamp duty, should go to this fund?—My idea is this: I am putting shipowners out of it for the moment; they are to pay no stamp duty. I do not know whether it is right to put owners out of it, but for the moment I am putting them out.

2301. I do not see how you are going to exclude them?—For the moment I have left shipowners out: I am not sure what you intend by "how." But dealing with cargo, it seems obvious that if you are going to indemnify cargo that is going from the United Kingdom or coming to the United Kingdom, that will be a very great advantage to cargo. They will not have to pay anything for war risks in time of war or peace. I say why should we give them that for nothing? Let them go on paying their stamp duty. If the stamp duty oppresses underwriters in any particular point, that can be modified, but simply dealing with it in principle, let the stamp duty continue to be collected on cargo for those protected voyages, and then let the Inland Revenue pay over the amount whatever it is—£50,000 or £100,000—to Government to support the scheme. It will not cost the cargo anything. It will cost the cargo exactly what they pay now, only instead of the duty they pay going to fiscal purposes, it goes to this scheme.

2302. Then the cargo owners, whose premium is over 2s. 6d., would be paying really to indemnify the owners of the cargoes whose premium was under 2s. 6d., because they only pay a penny for the whole amount that they insure?—I contemplate the duties as now fixed: certainly I have no thought of increasing them. Any little inconvenience of incidents of that kind can be adjusted. The bulk of the cargo that comes would reasonably be expected to pay 3d. per cent., or whatever figure you like to put it at. I am only dealing with the principle there; any necessary details would have to be worked out.

2303. Then you are going to exclude bonds, and gold, and silver?—I do not attach any special importance to that. I felt it was necessary to exclude some of these things, and so I made a comprehensive clause, because bonds are not necessities of trade.

2304. Are they not? If you want to raise money you have got perhaps to sell the bonds here, and you get your gold from abroad in order to pay?—That is a question of finance rather than of supplies. I do not mind; I think it better to leave it out myself, but still it is a detail. What we have to keep in mind all through is the main object, which is dealing with supplies and raw materials.

2305. But then you are going to put a provision in the Act that "In all British policies on vessels enrolled under the scheme, and in policies on freights by such vessels, and in all policies covering goods on board enrolled vessels," etc., you are to have a clause that the underwriters are warranted by the assured "Free from risks of the King's enemies." What is the object of putting that in? Is not that going to raise the very doubt in a man's mind, whether he will get his payment from one or the other?—It is merely that I thought it should be perfectly clear and plain what the position was.

2306. Do not you think it would be better to leave the original policy as it is?—Yes, if the position will be clear. In any case I do not suggest that the policy shall be altered. It is only that the Act should make it clear.

2307. And to indemnity the shipowner from certain risks which are ordinarily included in the policy, but excluded by the f.c. and s. Clause?—Yes. Would you be kind enough to read it?

2308. "Clauses shall be implied in the following sense"?—Yes, implied. I would not put anything in the policy.

2309. If it is implied, it is almost exactly the same thing?—It is, in effect. Then it would be implied. That is the object of the scheme, that the underwriter is not to be liable.

2310. But the underwriter is in some circumstances going to pay the claim first, and then proceed against the fund, if there is any doubt about it?—Then, if he is paying, he is paying because of a sea risk, not because of a capture risk. I am only dealing with capture risks.

2311. But do you see any advantage in putting it in?—Would you kindly tell me where it is?

2312. It is on page 8, Section 24, Sub-section A?—I think my main idea was that it should be made perfectly clear what the underwriters were now to be relieved of, and what the scheme was to be liable for. I had in my mind that by inadvertence the capture wording, which is mixed up with other wording, may be left standing in the policy, and that, this inadvertence notwithstanding, the Act shall relieve the indemnities of risks taken by the State. I do not think I had anything more in my mind than that. That will be the position; the Act will imply it, only it will not imply the exact words.

2313. But this is to be provided for by the Act of Parliament?—I think it is right myself, but it is one of the details which might perhaps be further discussed. I do not attach any great importance to it. My only object was to place the position of the underwriters beyond doubt.

2314. (*Mr. Lindley.*) The main difference, as Mr. Beauchamp has said just now, between your suggestion and Scheme A, is really that question of enrolment, but I do not see in your scheme any suggestion with regard to notice being given by the cargo. Are the cargo owners to give no notice at all?—No, I think not.

2315. Enrolment by the shipowner carries the cargo with it?—Carries the cargo with it.

2316. Under all circumstances?—Under all circumstances, as far as I can see.

2317. Supposing there is any cargo carried in ships that are not enrolled, although it is British property, and intended for the United Kingdom, is there any option on the cargo to give notice?—No; cargo is not covered. That is one of the levers to force the shipowner in.

2318. Because, otherwise, cargo will not be carried in his ship?—Exactly. That is where you have got the shipowner.

2319. You refer in part of your scheme here to payment for demurrage after a certain date, that is where the vessel is detained. If that is allowed to the ships, why should there not be a question of loss of interest or loss of market to the cargo after a similar date? Why discriminate?—For this reason; not as a matter of logic, but as a matter of practice and convenience. We all know what the loss to the ship is, it is reduced to a scale, 4d. per ton, or whatever it may be. But it may actually be a gain to the cargo.

2320. Yes, I quite understand that, but what do you say as to the question of loss of interest, for instance?—The cargo itself runs those risks.

2321. Yes, so does the ship in its way, with regard to demurrage?—The shipowner can insure against demurrage, if he likes, with his clubs, but the cargo owner has got to run that risk, and he runs it every day. Sometimes it hits him very hard, as you know. It would introduce an element of confusion and, indeed, of novelty.

2322. On page 17, No. 17, you say, "The liability of the fund shall be limited either to the actual value of the property, or to the value declared and insured under the policies, if any, against sea perils, whichever value shall be the less"?—Yes.

2323. Suppose, by some chance, as very often happens with large liners, the vessel is very much under-insured?—Am I speaking of cargo, or ship, or both there?

2324. Both, I think?—I dare say I had both in my mind. I say, if the ship is under-valued. I meant under-valued.

2325. Yes, you say under-valued?—What page is that?

2326. Page 7. You use the word value. "Or to the value declared and insured under the policies." Take the case of a vessel really worth £400,000, insured for £250,000. As you know, we have had it?—Yes.

2327. What do you propose there with a Government scheme?—"The liability of the fund shall be limited either to the actual value of the property, or to the value declared and insured."

2328. Of course, you know the reason it is done. I mean, supposing there are no further insurances beyond the all-risks insurance?—Cargo we are not discussing. We agree with cargo.

2329. No, I do not agree with cargo, but we will take the ship first?—Very well. The ship is insured for £100,000, valued at £100,000.

2330. Yes, worth £150,000?—And I say that the scheme shall only be liable for £100,000.

2331. Is that quite fair?—If it is good enough for the shipowner to run his own risk for £50,000 in ordinary circumstances, why should he not run it here? Why should we put him in a better position than he is in under ordinary circumstances? If he will only get two-thirds of his loss if the ship is lost under an ordinary policy, why should we give him the extra third just because under this scheme he is dealing with the State instead of with his underwriters?

2332. Practically that comes back to this, that if the vessel is not insured at all there is nothing to be paid. Is that the logical result?—Yes, it is something very like it.

2333. Surely you could hardly bring that in?—Yes; I see that creates a difficulty. On consideration, I think that probably this limitation, in the case of ships, should be dropped. Logically, I think the proposed limitation is right, but I see the difficulty. An uninsured shipowner would no doubt argue that because he chose to be uninsured against sea perils was no reason why, in the event of hostilities, he should not decide to insure against capture risks. I do not know whether he would so insure or not, but I think that he ought perhaps to have the full protection of the scheme. I am obliged to Mr. Lindley for calling my attention to the point.

2334. And with regard to the cargo, the same thing might apply, although there is less difficulty in getting at the value of the cargo?—Would you mind putting a case about cargo?

2335. Take the case of cargo insured based on an invoice price, with a percentage of profit, and a sudden rise whilst at sea?—Or a sudden fall.

2336. Or a sudden fall. In the case of a sudden fall we only pay the actual value?—Suppose property is lost by ordinary shipwreck, the man only gets his policy value.

2337. Yes; he has paid a price for that, and knows what he is doing?—Why should he get more out of us?

2338. Because we propose to reimburse him for what he has lost?—But I should not, if he insures himself for less than the value.

2339. There, again, you come back to the point that there is nothing to be paid if the owner does not insure at all. There are many people who do not?—Yes. I have not thought of that point. Of course, it does not often happen, but I do not know why we are called upon to make presents. The case of the ship and of the cargo are entirely different. It is, however, not at all an essential or important point. If it be preferred, by all means pay the cargo owner his actual loss quite apart from any value set on the goods for marine insurance purposes. There is not much in it.

2340. Then why limit the shipowner to 10 per cent.?—The figure is adopted by me merely as such, though representing my personal idea. The shipowner will probably say more than 10 per cent. You may say 15 per cent., somebody else may say 5. I think 10 per cent. is probably a reasonable amount.

2341. Do not you think it may be left to the shipowner to say how much should be covered? The underwriter will be sure to see him through, if he knows he is going to have the actual value of the ship refunded to him. It seems to me reasonable to allow him to make a bargain for somebody else to recover something more?—It all finds its way through the cargo to the consumer in the long run. I think 10 per cent. is high enough; but if I had before me a clause in a different sense I should have something to criticise. This must always be kept in view—that the shipowner shall not be in a position by reason of his insurances, over and above the State indemnity, to desire, as a money proposition, the capture of his ship. The moment you put him in such a position you remove from the Indemnity Fund one of its most important safeguards.

2342. (*Chairman.*) You yourself have said that there are, of course, two objects which are contemplated by any scheme of this kind, the maintenance of our mercantile marine, and the maintenance of supplies of food and raw materials, necessaries, at low rates?—Yes.

2343. And you point out that according as our direction is tending to one or the other, our scheme may be wider or narrower. I have not yet gathered which, in your opinion, is the more important of the two?—They are both of them so vastly important. They are two of the most important subjects affecting this country in time of war. You are asking me to choose between my purely academic interest in the shipowner on the one hand, and my actual sympathetic interest in the wage-earners on the other, and it is a very difficult choice to have to make.

2344. But I may take it that you consider it equally necessary to provide for both of them?—Certainly I do.

2345. You are equally afraid of the transfer or destruction of our mercantile marine?—Yes; I would not mind saying almost more afraid.

2346. More afraid of that than the effect upon prices?—Yes. I am afraid of the effect of a war on our great national industry of shipping. That is what I am afraid of.

2347. That, perhaps, explains the suggestions that you made to revive the Navigation Laws and put a cargo tax on neutral vessels, if that had been possible?—Yes, it is all purely with that view.

2348. As far as that had an effect, it would rather militate against your second object, would it not?—One would require to consider the question at greater length, but I do not think, really, it would.

2349. You do not think that the exclusion of foreign competition to that extent would materially enable the British shipowner to raise freights?—I do not think so, because you are introducing all at once all our vast tonnage into it, and the competition of our vast tonnage would keep it down.

2350. Does not the very vastness of that tonnage

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put a great obstacle in the way of its transfer to foreign flags?—It puts certainly an obstacle in the way. I do not know whether it is a great one, but I grant it would be an obstacle. Then you may have these other nations, who have not got large merchant fleets, concentrating on a particular branch of our trade, and you do not know what damage they may not do. Some of our shipowners live simply on a certain trade, and if they were to have a lot of foreign competition concentrated on that trade, it would ruin them; they would sell their ships, or might. I do think that the present position is a most dangerous one for our national shipping.

2351. That leads me to another consideration. You propose to exclude from the benefit of the indemnity voyages between foreign ports, or between colonial ports and foreign ports?—The cargoes, not the ships. Of course, the ships are covered all the time, wherever they may be.

2352. But might not the obtaining of cargoes on those lines be of great importance to the profitable and normal working of the particular ship?—It might, but in a scheme of this kind you can only proceed on broad lines. In the desire to provide for everything you may overload the scheme or go too far.

2353. I have in mind, very vaguely, I admit, the case of a tramp steamer which takes a cargo out from here, let me say, which you would wish to enable her to secure, but the freight that she has to charge on that cargo is conditioned by whether or not she can get another cargo on?—That is quite true, but I think we have got to draw a line somewhere, and I thought to draw it there. So long as we keep on those two main lines, cargo from the United Kingdom out, cargo to the United Kingdom home, then we have got a simple scheme. I quite see your point. I am very much in sympathy with that about the cross voyages, but you must draw a line somewhere.

2354. Have you formed, in your own mind, any idea of the risks you are asking the State to undertake?—Do you mean the nature of the risks, or the magnitude of the risks?

2355. The magnitude?—Of course, that depends upon whom we are at war with, how long the war lasts, and so on.

2356. Have you, in your own mind, ever conceived of a particular great naval war in which we might be engaged, and set yourself to consider what were the probabilities of losses that the State would have to pay under such a scheme as yours?—No, it is impossible. In my opinion it really would be misleading, and would not be worth giving. I have got a floating idea at the back of my mind, but it is not really worth quoting.

2357. You would admit then that for the State to undertake these risks would be a great leap in the dark?—As to the amount, yes. In the same way, if we go to war, it will be a great leap in the dark as to what the consequences will be on our industries and manufactures. The whole thing is in the dark.

2358. But your real defence, I suppose, would be that whatever the loss is it will have to be borne by the country somehow?—Precisely, and more, because you see the underwriter who insures has got to pay all the cost of his machinery, and he has to get his profit. I suppose you may take the two together at 25 to 30 per cent. Assuming that 20s. is the real cost of the risk, the underwriter is going to charge what, on that? Twenty per cent. more, at least, to pay him his expenses and his profit, say 20 per cent. to 30 per cent. at least.

2359. Assuming those figures. I will take any figures as to what the underwriter may have to charge for it, do you think a State Department will work the thing more economically?—Yes. The profits will come out, and the costs of working.

2360. That is true; the underwriter's profit will come off. I am not speaking of the profit. I am speaking of the actual cost?—To work a marine insurance company the costs range from 10 to 30 per cent., I suppose. It varies; of course, the bigger the company the lower the ratio comes, but I should think you may call it 20 per cent. I am speaking from memory, but I should think marine insurance companies do not work much under an average perhaps of 15 per cent. Call it 15 per cent. It is not going to cost the Government 15 per cent. to work a thing of this kind. There are no salaries to pay. Then against that, under my scheme, you are getting in the fees from the shipowners, and stamp duties from the cargo owners, which together would bring in £100,000 a year. If we have a continuance of peace for a dozen years, you will have in hand a very large sum to pay your losses. We have gone for a hundred years without a naval war. May I put this to you, Sir? Supposing we had started this scheme a hundred years ago, on my lines, the country would be none the poorer, and we should have had a fund of how many millions? We should have said, "You may capture what you like, and it will not hurt us."

2361. That is another point about which I wish to ask you some questions. What do you propose to do with this fund? I understand it is to be vested in a Government Department, practically in the hands of trustees?—Yes.

2362. Are they to invest it?—Yes, deal with it as a business matter, and make what they can out of it. They may buy Consols, or do anything with it.

2363. On the whole, probably, it would earn more if it were left in the pockets of its individual owners than if it were invested in State securities?—I dare say it would. But the individual owners we are considering are the individual consumers and manufacturers.

2364. Do you think that the country would be content to see any very large guarantee fund of this kind locked up for an indefinite period?—There we get into finance. I should refer that to the Chancellor of the Exchequer.

2365. Yes; the temptation to him would be strong?—I do not know what he might not do.

2366. Have you considered also that when a war occurs, if there are heavy losses, and this fund has to be realised to pay the losses, the Chancellor of the Exchequer must sell the investments in which he has placed it?—No, I have not considered that at all. But the money has got to be found somehow by somebody.

2367. You see that that comes to just the same thing as if the Chancellor of the Exchequer were borrowing more money in the market?—Yes. When war comes, if you have heavy losses, the marine insurance companies have got to sell all round. We have seen that about San Francisco. Somebody has got to pay for the stuff that has gone, whether the Chancellor of the Exchequer does it or somebody else. The money has got to be found. There will in consequence be a great fall in the value of securities. The State will at any rate be no worse off if it has a large fund in hand against which to write off the loss resulting from a forced sale. That will be one of the advantages of the creation of a fund.

2368. One of the strongest objections which is constantly repeated to us by witnesses against any State scheme is the risk of fraud on the State. I gather that you feel no difficulty about sufficiently protecting the State?—I do not at all. Of course, you can never eliminate fraud from anything. I have heard of people even cheating the Chancellor of the Exchequer about their income-tax.

2369. Yes, that is not unknown?—You have got to run a certain amount of risk of fraud. Underwriters are cheated, no doubt.

2370. It is suggested to us that underwriters are cheated to a certain extent, but that the State would be liable to be cheated much more?—Certainly it would, if the State acted through its ordinary machinery, but here you would have the underwriter's machinery. You would have keen, able men. You can tell, you can smell when a thing is in order, or, rather, when it is not.

2371. Have you considered whether you could get these experts to give this voluntary service?—I was the secretary of a marine insurance company for a good many years, and I should have been very proud to do it, and I feel sure my colleagues would, partly because it would be a certain distinction, and partly because the marine underwriter is not the least patriotic man in this country. He would be only too proud to do it.

2372. I was not doubting their willingness, but whether it would be possible for them to do it. *Ex hypothesi*, they are very busy men in normal times. You want the best men in the profession?—A man is never so busy as to leave undone what he really wants to do If he wants to do it he will do it. If he does not

want to do a thing he will never fail to have a good excuse. The company would say, "By all means, Mr. So-and-so; but I am afraid it will mean a great deal of extra work for you."

2373. You do not think the directors would say, We should be very glad to give you leave, if we could, but this is a time of peculiar anxiety in the conduct of our own business, and it is just the moment when we can least spare you?—No, it would not be so. It would be a time of peculiar anxiety to the underwriters, but not to the examiner of claims, who is, moreover, always provided with an efficient deputy. Besides, the directors of our great insurance companies will be eager to give every help in their power.

2374. As you say, underwriters even now are subject to some fraud occasionally?—Yes, occasionally.

2375. And they protect themselves against that to a considerable extent, first, by their expert knowledge of the business they are doing, and then by their personal knowledge of the people who come to them?—Yes, to a considerable extent, no doubt that is so—the personal knowledge. But persons inclined to fraud are afraid of the companies' watch-dogs, the examiners of claims.

2376. There will be occasions when somebody, having been singularly unfortunate, without definitely making imputations, they will say, "He is too unfortunate for me to insure"?—I quite understand. If you were to ask me to name anybody of the kind, which, of course, I should not do, I should have a difficulty about it, but if his name came before me, I should say, "Hullo, what is this about you?" If you have nine examiners of claims, there will be two or three who will say, "Hullo, here is old So-and-so turned up again; we must look into this."

2377. But would looking at it be sufficient after the event?—After the event, but before the payment of the claim.

2378. But I put it to you that the underwriter's protection is that he does not underwrite in such a case?—I do not think the underwriter often refuses on the ground of suspicion. When the risk is put before the underwriter, in very many cases he does not know whose it is. He takes the risk, and relies upon his strong right arm to protect him; in the case of a company, the examiner of claims.

2379. You agree that the opportunities for fraud, or the doubtful cases in war would be much more numerous than in peace?—Not with the safeguards I have suggested here.

2380. In the time of the great Napoleonic wars, there was a good deal of throwing away of ships, was there not, in order to evade the Berlin Decrees and our own Orders in Council?—Yes, I daresay there was, but that would hit the underwriters. Doubtless they wrecked their ships on purpose, and the underwriters paid for it, and you could not find it out. That we are not going to pay for. We are only going to pay for capture.

2381. But I meant throwing ships away, not merely by running in shore, but running into the hands of the enemy; at any rate, not being studious to avoid them?—Yes, I have no doubt it may happen in every war, if a man insures. In those cases a man would not do it unless he knew he was very heavily over-insured. We are going to stop that.

2382. Not necessarily, I think. He did it in those days not because he was over-insured, but with some secret arrangement which allowed him to get the benefit of the high prices prevailing on the Continent.—He might; I do not know. But one thing is quite certain, and that is, that, assuming the case of a shipowner who is dishonest, he is not going to lose his ship unless he knows he is very well insured. The pecuniary inducement to fraud will be wanting, on the one hand, and on the other the owner who acts contrary to the scheme will expose himself both to forfeiture of the protection of the scheme and to penalties. He will have nothing to gain and a great deal to lose. Here we say, "You are going to get the actual value of your ship, to be ascertained by experts, and at the most, 10 per cent. in addition, and if there is any hanky-panky on your part you will drop into a very uncomfortable position."

2383. I see, you are not content to take the value at which the ship is insured for marine perils?—No, certainly not.

2384. You admit that that might be much too high?—Oh, yes; it nearly always is. Some ships are greatly over-insured, to the knowledge of the underwriters. Underwriters, for legitimate and well-understood reasons, like them to be over-insured.

2385. Therefore, practically, you are reduced to saying it is to be the value ascertained by a committee of experts after the loss has occurred?—Yes. The Board of Claims will have a pretty shrewd knowledge of the value of a ship. They would say, "Now, Mr. Shipowner, what do you say is the value of your ship?" He would say, "That ship was worth to me £50,000." They would say, "No, we do not think that. We have reason to believe £45,000 would be the outside amount of your loss." He would say, "No, £50,000." They might say, "No, we will not pay a penny more than £45,000," and he might come back and say, "I will take the £45,000 rather than have the bother of an arbitration," or, "Cannot we split the difference?" But if they felt they cannot do that they would say, "Very well, we will refer it to the Committee, and you must take your chance. You might not get so much as £45,000."

2386. From your experience you see no difficulty in finding out values?—I would not say there was no difficulty. There is always some difficulty in fixing the value of a ship, but it is quite possible to get at a fair value. Whether it would satisfy the shipowner is another thing, but it would be reasonably fair. Mr. Lindley would be able to tell you more about that than I can.

2387. Of course, under any circumstances, what you do under a scheme of this kind is to indemnify the shipowner who has lost a ship, and the owner of the cargo, who has lost his cargo. You do not secure the arrival of the cargo in this country, or the safety of the ship?—No, you cannot do that.

2388. How, then, would you keep prices down?—You cannot keep them down. You have got to see it through, to see what happens. All you can do is to keep it down by avoiding the increase of war risk saddled with charges and profits, and the tradesman saying, "Oh, I saw yesterday at Lloyd's there was a regular panic, and I know the war risk is 5 per cent. to-day. It will be 10 per cent. to-morrow; I am going to put up the price of my sugar." He will take good care to be well on the safe side in anticipation of future increases. He will use the excuse for all it is worth.

2389. Yes, but what I suggest to you is that the insurance rate, the 5 or 10 per cent. paid for insurance, would be the smallest part of the considerations which are affecting his mind?—I should think it would be the smaller part.

2390. The insurance would go up, because a ship has been lost, or several ships have been lost?—Or because they are afraid that they will be lost.

2391. Yes. If the cargo arrived safely the insurance rate would fall down again very rapidly?—No, I do not think so. It may be going up all the time.

2392. In spite of all the cargoes coming safely in?—Yes; you cannot say. It is an absolutely uncertain element. There may be some new shifting of the theatre of the war, drawing off warships to somewhere else, or something of that kind. It is uncertain. But I quite agree with you that the premium is the smaller part of the incident in the increased value of suplies. Of course, the prime incident is that you do not get your supplies. If you do not get your supplies, that is the thing, and that we cannot insure against. All we can say is, to some extent we shall not get our supplies, and to some extent the supplies will all be made dearer by the insurance premium, and all we can do is to take that insurance premium burden off. If an artisan is paying 20s. a week for imported food, in round figures, and his wages are only about 17s. or 18s., or perhaps a sovereign, and to-morrow he finds food has gone up 5 per cent., and he has to pay a guinea, and the next day it has risen, and he has to pay twenty-two shillings, it may be a small part, but it is the last straw.

2393. I think you are as strongly in favour of some scheme as any witness that has come before us, or as anyone whose writings on the subject I have seen. I am, therefore, pressing upon you rather the objections which have come from those who take a different view?—Yes; I want to meet the objections. I should

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like to have had all the objections possible. I did think out all I could.

2394. I saw you did, and I am obliged to you. But I take it, without abating in any degree your desire for a scheme of this kind, you admit that the protection it will give to the consumer is only partial?—It will not bring cargoes, that is certain.

2395. And that the risk which it will impose on the State is incalculable?—I mean we cannot calculate it.

2396. It is not infinite, but we cannot calculate it?—Yes, I admit that necessarily. But the pecuniary risk to be imposed upon the State will be a less risk than would otherwise be imposed upon the country.

2397. If we were assured that there was no risk of the transfer of our Mercantile Marine, or of its being laid up, would you still advocate a scheme purely for the purpose of securing our necessaries?—Yes, I think so.

2398. And equally, if we could remove your anxiety about the necessaries, you would advocate the scheme in order to preserve the Mercantile Marine?—Yes, unless we cut ourselves adrift from the particular clause of the Treaty of Paris. We ought to do one thing or the other.

2399. Then, in your opinion, the alternatives are between some scheme of national guarantee, and a denunciation of the Treaty of Paris?—Yes, a revival of the Navigation Laws, and so forth. I should not like to pledge myself off-hand, and say that the Treaty of Paris ought to be denounced. That is what I feel, but I have not come here to express an opinion upon it, and I should not like to say off-hand. At this moment that is what I think, that we ought to cut ourselves adrift from it.

2400. But, at any rate, assuming that we do not cut ourselves adrift from it, then you hold that nothing will make us reasonably safe except a scheme of national guarantee?—Coupled with a scheme for protection of our shipowners. What we want to do is to penalise neutral ships. Of course, if we cannot do it, owing to treaty obligations, then that part of my scheme falls away. But we ought to do it, or else we ought to do away with the Declaration of Paris, one or the other. That I am quite sure of.

2401. Do you think there would be any difficulty, at a rate, in insuring the whole of the British Mercantile Marine in case of war?—Ships and cargoes?

2402. Yes?—With whom?

2403. With private underwriters and companies?—You mean, in case a war broke out, would people be able to place their risks?

2404. Yes?—That is one of the unsolved questions. You see, as the result of this Japanese War, and the very heavy losses sustained by one or two companies, there has been something like a scare amongst marine insurance companies, and how that would operate if war occurred again I do not know. The directors might say, "Oh, no, we had an example of what happened to such-and-such a company, and we cannot run the risk of losing £200,000. We cannot absolutely refuse risks, but keep them down to the lowest possible figure. You will understand that, Mr. So-and-so," to their underwriter. He might say he thought they were doing the wrong thing, but, however, the risks would be kept down as instructed. It is conceivable that there would be great difficulty in placing the risks, in consequence of loss of insurance market.

2405. It has been suggested to us that the higher the premium, the smaller the market for war risks—that is to say, the higher the premium is the greater the risk is supposed to be, and the smaller the number of people who are willing to take it?—It is rather like this, that if you have a particularly choice interest to insure, specie, for instance, where the rate is nominal, anybody will be thankful to write it, but, assuming you have a rough cargo, or an uncertain or peculiar risk, on which you have to pay as many pounds as you have pence in the other thing, you have a limited market at once. There are, too, plenty of companies competing for ordinary business, but which are not in the market for extraordinary business. There are now no data or underwriting statistics on which to base war premiums in time of war, and there are a lot of cautious underwriters and companies which will keep out of the business for that very reason. It is notorious that a lot of underwriters got very hard hit indeed owing to the unexpected happening in the Japanese war, and it will be long before this object lesson is forgotten. Company directors will play for safety.

2406. But as to what would happen, either in the insurance market or in the matter of capture, if things were left to themselves, you feel it is impossible to give a forecast?—Nobody can forecast.

TWELFTH DAY.

Tuesday, April 30th, 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart, M.P.
Sir GEORGE SYDENHAM CLARKE, K.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. WILLIAM GOW, called and examined.

Mr. W. Gow.

30 April 1907.

Mr. Gow, in a preliminary memorandum,* had submitted:—

(1) That it is doubtful whether a national indemnity would secure our oversea trade, and steady prices in time of war.

(2) That conditions of supply and demand, rather than the amount paid as war premiums, are the main factors in the rise of prices in war time.

(3) That no national service is rendered by payment of indemnity in case of loss, but only by actual safe delivery of cargo.

(4) That the cost of a free indemnity would be serious, and that the inspection necessary to prevent the transfer of goods to British ownership would be extremely onerous, and might impede business.

(5) That the special difficulties under a free indemnity would be the prevention of undue risks, fraud, and the exercise of efficient control.

(6) That insurance by Government would not necessarily be cheaper than insurance by underwriters, and might be dearer.

(7) That under any scheme of limited Government insurance, the more desirable risks would be taken by the underwriters, while the more perilous ventures would be left to the State.

(8) That certain alterations and additions are, in any case, desirable in the event of the adoption of Scheme "A" or "B."

(9) That encouragement might be given in time of war to the import of food supplies and raw materials, and to the export of manufactured articles, by the repayment on safe arrival of the amount expended on war insurance.

* *Vide* note, p. iii.

2407. (*Chairman.*) You are the underwriter of the Union Marine Insurance Company, of Liverpool?—That is so.

2408. May I ask you whether you have had a large experience of underwriting war risks?—I had experience in America during the Spanish-American War, when I was New York representative of the London Assurance, and I had experience in the Russo-Japanese War pretty extensively.

2409. You have seen the reference to this Committee?—Yes.

2410. And I gather from the précis, which you have been good enough to send me, and from your opinion before Lord Balfour of Burleigh's Commission, that you are opposed to any scheme of national guarantee?—That is so.

2411. The first of the objects which such a scheme is intended to secure is the prevention of any interruption of the activities of our mercantile marine during war. You do not anticipate such an interruption?—There would be an interruption, but I do not see how it would be overcome by a system of national guarantee.

2412. It has been suggested to us that the rates of insurance against the war risk might rise so high that it would be no longer possible for shipowners to profitably employ their ships?—On the other hand, I have been told by men experienced in large markets, the cotton market, for instance, and the grain market, men who have known those markets since the time of the American Civil War, that the rise in price which would occur in the produce handled in those markets would be incomparably greater than any amount of war premium that could be imagined.

2413. I will come to the freights later, if I may. For the moment I wanted to direct your attention to the shipping. Is it not conceivable that produce might, as you say, rise very high for entirely different reasons, but that yet the advantage of shipping in a neutral bottom might be so great as regards both risk and cost, that our shipping would be unable to find freight?—I think that is so.

2414. That is certainly what has weighed with a good number of the witnesses who have come before us to advocate such a scheme. Supposing that were the case, the British shipping that was unemployed would be forced either to lie up or else would be transferred to a foreign flag, I suppose?—I am not quite sure about the transference to the foreign flag. That would depend upon the law of the country to which the tonnage was transferred; and it would depend upon the law that might prevail here at the time regarding transfer. But there is no doubt there would be, anyhow at first, great additional employment of neutral tonnage.

2415. To the detriment or exclusion of British tonnage?—Certainly.

2416. It would be, I suppose, to the interest of the neutral to facilitate transference to their flag?—Yes, I think it would be.

2417. And quite conceivably it might not be to the interest of the belligerent, our enemy, to examine the *bona-fides* of those transfers too closely?—I do not quite follow.

2418. Supposing we were at war, and owing to the circumstances which we have been discussing, considerable transfers of British shipping were made to the American flag, it would not be in the interest of the other belligerent to quarrel with the United States?—Put in that way I understand it.

2419. And they might be satisfied therefore with the loss inflicted upon us by the transfer of our shipping, without trying to follow up that shipping after it had been transferred?—Possibly.

2420. Do not you think that the facilities for such a transfer are greater in these days than they ever were before?—I do not know. I do not know the comparative state of the law.

2421. Apart from the state of the law, I was thinking of the commercial conditions rather. I put to you that there are greater aggregations of capital now than there were 100 years ago, and that therefore a *bona-fide* purchase of a large quantity of shipping would be much easier to arrange now than it would have been 100 years ago?—I think that is possible. At the same time, one must not forget that what one might call the shipping community is a much more extensive machine than it was 100 years ago, so that after all, comparatively, perhaps, there would not be so much greater means of transferring from one flag to another.

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2422. I have in mind such a combination as was effected in the Atlantic trade a few years ago. Anything approaching that or even proportionate to the then extent of our mercantile marine would have been impossible, I should think, or at least very difficult, in the great war?—Yes, I think it would have been. If I might suggest, the thing that strikes me so curious about that combination and about possible transfers to America, it is that the American law is peculiarly strict nominally respecting transfer. Whether there would be equal connivance at transfer in the case of a war in which we were involved, one cannot tell.

2423. But you agree that the difficulty is rather in the state of the law than in the magnitude or difficulty of the commercial operation?—Yes, I do say so.

2424. Would you also admit that the temptation to transfer, supposing it possible, is greater now than in the last great naval war of which we have experience?—I could not say.

2425. I make a suggestion to you, that since the Declaration of Paris the advantage of the neutral is very much enhanced. In the great French War the neutral ship was very little safer, if at all, than a belligerent ship. He was equally harried and searched and seized, but since the Declaration of Paris there is a broad line of distinction between the two, and all to the advantage of the neutral?—Yes, I agree.

2426. Without having, of course, changed your view that the scheme is undesirable, you would admit, at any rate, that there is risk of transfer of shipping if the laws of foreign countries allow it?—Yes.

2427. Both a greater possibility of it and a greater risk of it than in any war of which we have had experience in the past?—So long as the Declaration of Paris prevails.

2428. But I gather that, admitting that, you are still of opinion that a national guarantee, such as we have been discussing in this Committee, is not the right way to prevent it?—That is my feeling.

2429. In speaking of the goods just now, you suggested that the war risk would, no doubt, be one of the conditions that would affect their price, but it would be the least of the conditions?—Yes.

2430. Would you say the same as regards the employment of ships by a shipowner in war, that the risks of the war and the charges for insuring against those risks would be much less important in determining what he did with his ships than other considerations. Would they be the principal factor in deciding whether he laid the ship up or not?—The war risk would be the main factor in deciding whether he would employ his vessel or not, because the amount of enhanced freight that he would receive for carrying goods during the period of war risk would determine him whether that employment was desirable or not; so I should think that in the case of his deciding whether his vessel should be employed in a particular venture or not, the rate for war risk would become a very important point indeed.

2431. As regards the supplies of food and raw materials, you said just now, I think, that you thought the war risk premium would be comparatively an unimportant item?—Yes.

2432. What would be the important item?—The state of the produce market for the time.

2433. The equation between supply and demand?—Practically it comes to that, and not only here, but on the foreign markets—on the producing markets.

2434. And you anticipate, I gather, that the natural result of war, or the imminence of war, would be considerable speculation?—I think in the imminence of war there might be probably greater speculation than during the course of the war.

2435. Which would have a very disturbing effect on prices?—It might have a very disturbing effect on prices.

2436. Altogether apart from the actual war risks?—Quite apart from the war risks.

2437. Was there any disturbance of that kind in the markets at the time, for instance, of the Spanish-American war?—No, it never took effect to any extent.

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2438. That, you would say, was because the war was not on a sufficiently large scale?—Yes, and because the class of produce that was affected by the war in Cuba was very small. The only thing one did observe was a very sudden rise in the price of cigars, and in some tobaccos in the United States. In fact, good cigars were unobtainable.

2439. But the area of trade affected by the war was too small to produce any general result?—Too small.

2440. And I suppose the fact that neither belligerent was very much dependent on oversea supplies?—Yes; of course, that was a reason.

2441. You anticipate, I gather, that in the event of the outbreak of a naval war there would be a great demand by Government for freight for Government purposes?—I think so.

2442. And that that would have the general effect of driving up prices of charter-parties and freights all round?—Yes.

2443. That is what happened in the South African war, I think?—Very greatly indeed.

2444. On the consumer, therefore, although there was no real war risk, the effect was just the same?—On the general consumer—the consumer of everything that was brought in by shipping to the country—there was a rise.

2445. One result of that was, of course, to increase the value of ships for the moment?—Yes, and to stimulate building.

2446. The stimulation of building would, in the long run, tend to bring the value of individual ships down again?—Yes, as has been evidenced since the close of the war.

2447. But for the moment the value of individual ships, and, therefore, of the Mercantile Marine as a whole, rose considerably?—The market value, yes, I think so.

2448. Was there any difficulty in covering that increased value by insurance?—I never heard of any.

2449. Do you think it would be equally easy to cover such enormous value if we were engaged in a serious naval war?—Not equally easy, because the amount at stake would be so very much greater. But I do not think that a merchant has ever yet had to go without cover. He had not to do so in the time of the great war, and I do not think that, comparatively, the insurance facilities are less now, when compared with the amount of produce, and tonnage floating, than they were then.

2450. I suppose, generally speaking, the market for war risks is smaller than the market for ordinary marine risks?—I believe so.

2451. It has been suggested to us by some of the witnesses that whilst there is a very free market for war risks for a year ahead in time of peace, the market is very much narrowed the moment the risk becomes imminent or appears imminent, and it has even been suggested by some of the witnesses that if the outbreak of war were followed by a few captures, the market would dry up altogether, and that there would be no possibility of insuring our ships. Do you think that that is a probable forecast?—I think it is probable that some underwriters who had written risks so far ahead that they thought they might run off before a war commenced, might not care to adopt risks when they saw war in the immediate future. But beyond that I do not know that I could say anything definite.

2452. You see that it is a possibility we must consider if there is any basis for this idea, that if the Government will not insure, nobody else will on such a scale?—Yes.

2453. But on the whole you do not fear that?—On the whole, I have not seen any reason to fear that.

2454. You have suggested in the précis that I have before me that the offer of an indemnity would be a great inducement to fraud, or at any rate, an inducement to shipowners and merchants to run undue risks?—Free indemnity, yes.

2455. Would that still be so if we were able so to draw our scheme that the shipowner should only recover the actual value of his ship?—You mean that he could not recover a fancy value?

2456. Yes. It has been suggested to us that, for instance, we should take the value of the ship before war broke out, without the temporary enhancement of the value that might come from its greater earning power in time of war?—I think you would prevent people going in for the recovery of that extra value by such a provision as you suggest.

2457. If the shipowner were limited in that way as to what he would recover, it would be a great inducement to him, would it not, to take all reasonable precautions? In other words, it would always be more profitable to him to complete his voyage than to have his ship seized, and paid for by Government?—I am not sure about that. You might have a ship that was so burdened by debt at the time of the commencement of the war that her loss might be an extremely good sale. You might have a vessel with engagements before her of such an unprofitable kind that they would be sure to leave a loss, which would be wiped out by the loss of the vessel. No doubt the inducement to deliberately get rid of the vessel would be diminished, but you would not clear away that difficulty altogether.

2458. They would be rare cases, would they not?—They would be comparatively rare cases, I believe.

2459. What secures the underwriter against such risks at the present time?—The only thing that secures him is the fact that he would decide very largely whether he cared for the risk or not upon being told what the value that is put on the vessel is. Then he has means of knowing whether vessels are burdened by mortgages or obligations, and sometimes he has means of knowing what employment vessels have ahead.

2460. Habitually, I think, in the marine insurance market, if a risk is underwritten and there is a loss, the underwriter pays on the value insured without question?—Yes, usually; very seldom otherwise.

2461. Would there be any difficulty in ascertaining the real value of the loss if there were such circumstance of suspicion that the underwriter wanted to open the question?—Underwriters feel a difficulty in opening the question of value. They would rather have the fight when the policy is being made than have any question raised regarding the amount of their obligation afterwards.

2462. Speaking generally, when the policy is being made the natural tendency on the part of the underwriters is to put the value up rather than down, is it not?—For some things, but not for others. You must distinguish between the risk of total loss and the risk of what we call average or damage. In the case of total loss a man receives, say, 5 per cent. on the line he takes, say £1,000. It is all the same to him whether that £1,000 is part of £30,000 or £50,000, so long as the £50,000 is not an obviously exaggerated and untrue value. On the other hand, when we come to consider the question of average or damage, if the vessel is valued at £50,000, the man who writes £1,000 pays one-fiftieth; and if the vessel is valued at £30,000 the same underwriter, for the same damage, pays one-thirtieth, so that obviously it is to the advantage of the underwriter to get a real value, not an exaggerated or diminished value.

2463. And, on the whole, the risk of damage being much greater than the risk of total loss, the tendency for him is rather to put the figure up than to pull it down?—To keep it as near what he believes to be the market value as possible. I should not say market value.

2464. How would you define the value?—I do not quite know how to express it.

2465. I will leave it to you when you get the notes of your evidence?—The value based upon the tonnage; I think that is the nearest I can come to.

2466. So much per ton, and the amount per ton being calculated in his mind according to the class of vessel and her age?—Yes.

2467. (*Sir George Murray.*) Except that the exaggerated value tends to make the shipowner rather reckless, the underwriter, I suppose, would prefer the highest value he can get the shipowner to quote?—Until you reach the stage of what we call moral hazard.

2468. (*Chairman.*) Coming back to the State guarantee, your suggestion is that the risky voyages would, on that account, bear the highest freights and bring the largest profits, and that, therefore, if there was an indemnity there would be a temptation to the shipowner always to take the riskiest voyages?—Distinctly so.

2469. But if there were the indemnity, would not

those excessive profits vanish? The profits are high because the risk is great. If there is an indemnity there is no risk to the shipowner?—Perhaps there may be practically no risk to the shipowner, but the shipowner would get paid for it all the same.

2470. But do you think that he could both have the advantage of the guarantee and maintain freights at the high figure?—He could not maintain them at the high figure that might be reached without a guarantee, but they would still be at a high figure compared with peace freights.

2471. Generally speaking, I gather that your opinion is that any scheme of indemnity would be very costly to Government, and would not be efficient for the purposes for which it has been suggested?—I would not like to say it would not be efficient. I should be more inclined to say it would not be so much more efficient than the system now prevailing that it would be worth while for the country to undertake it.

2472. I think you have suggested that if Government is going to interfere at all with the ordinary commercial provision for such cases Government would be better advised to pay in some form a bounty or give an encouragement on those cargoes which do arrive, rather than to indemnify shipowners or merchants for those which are lost?—Yes, that is my personal view, strongly. I ought to say that up till now I have been speaking as representative of the Liverpool Underwriters' Association, and have practically voiced their views. This further suggestion of bounty, or whatever it may be called, is entirely one of my own, with which they are not in any way identified. I believe, in fact, that some of the members disapprove of it. One, at least, does.

2473. May I ask you whether, left to yourself altogether, you would urge the adoption of such a scheme, or whether you only put it before us as less harmful?—No; I would urge it. As an underwriter I would urge it.

2474. What form would you propose that it should take?—The payment of the whole or a proportion of the war premium that has been paid by the parties interested in the venture.

2475. And what object would you expect to attain by a scheme of that kind?—The actual delivery in the country of the foodstuffs and raw materials, instead of the reception by the shipowner or cargo owner of a money indemnity in case of their loss.

2476. Suppose the ship arrives safely, the shipowner, as I think you have already explained to me, will probably have secured high profits, and would be sufficiently rewarded therefore?—Probably.

2477. Equally the merchant would, probably, under those circumstances, secure enhanced profits due to the conditions of which you have spoken?—He would.

2478. Why, then, should we add to those profits by, in such a case as that, repaying to him the insurance which he has already recovered in his enhanced prices, and much more than that?—Only to make assurance doubly sure.

2479. But I think you put to us earlier that the insurance would be the smallest factor really in determining price?—Yes.

2480. If that is so, will not the repayment of the insurance be a very small factor in the mind either of shipowner or merchant?—It would be enough, perhaps, just to turn the balance.

2481. But probably it would be the least part of his expenses in a successful voyage?—Probably, yes.

2482. And probably his profits would amply cover him?—I should think so; yes.

2483. Assuming him to be making a 5 per cent. profit under ordinary circumstances, you would expect the first effect of war to be to raise his profits to 7½ or 10 per cent., and then you would give him a little extra profit in the shape of the repayment of his insurance?—Yes, I would, because I think we need what he only can give us, and that is the introduction into the country of food and raw materials.

2484. That might involve the Government in very heavy expenditure, might it not? Suppose it had no effect upon rates of insurance, still the amount of war insurance on ships and cargoes that would arrive safely would be a considerable sum?—It would be a large sum; yes.

2485. If he was certain that if his ship got in safely Government would repay him the premium, what check would there be on the rise of premium?—There would be the same check that exists now, the check of the market.

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2486. Not quite, would there, because the shipowner or the merchant would not have the same interest in keeping the premium down if in nine cases out of ten the premium was going to be paid by the Government?—If in nine cases out of ten the premium was going to be paid by the Government, there would be 90 per cent. of the vessels arrive.

2487. Yes?—But in that case the war premium would be extremely small.

2488. What I am suggesting to you is that after all the premiums under ordinary circumstances are fixed, as you say, by the competition of the market between the man who wishes to insure and the underwriter to whom he goes, but that if there is a fair chance of the ship arriving the underwriter might say: "Well, you might give me 5s. per cent. more, it does not matter to you; you will recover it from Government"?—I do not know that that would come in, because practically the underwriter is taking the risk of the vessel not arriving.

2489. Might there not be a tendency, human nature being what it is, to put more of the risk on to the war premium, and less on to the marine risk?—I should not have thought so.

2490. I should have thought that that was open to as many possibilities of fraud as a scheme of indemnity?—It had not struck me so, I must say.

2491. And, on the whole, you do not think so now?—No, I do not think so now.

2492. Now I would like, if I may, to ask you some questions about the two draft schemes that we circulated. I understand you are not in favour of those schemes, but assuming that we were to decide to recommend something on the lines of one or the other, you have, I think ,some suggestions to make as to the wording?—Yes, a few points struck me.

2493. First, as regards Scheme A, the person entitled to claim indemnity. Do you suggest any alteration in the wording there?—I suggest, instead of paragraph 1 section (a) in Scheme A, the words "the British owner of or the British or neutral shareholder in any ship registered in the United Kingdom."

2494. Would you tell me the reason for that suggested alteration?—It would leave out of a scheme of British National Guarantee any enemy shareholder, or person interested in a vessel registered in the United Kingdom.

2495. Would there be any possibility of tracing the ownership of a particular ship to that extent?—I believe the ownerships are all entered at the Board of Trade, and the shareholders' list is attached to every vessel there. In the case of vessels owned by limited companies the position is rather different.

2496. That is what I was thinking?—There, of course, the register of shareholders is the only means of tracing it.

2497. Still, the object is to prevent an enemy from deriving benefit?—Exactly.

2498. And you suggest that our words are wide enough (and I think they are) to permit an enemy subject in certain cases to derive benefit?—Yes.

2499. Then as regards the next paragraph, "Losses to be covered by indemnity," I think you wanted to suggest the introduction of some further words there?—Yes. Before the words "capture or seizure," with which that paragraph commences, I think it would be wise to introduce the words "Loss or damage proximately caused by capture, seizure, detention, etc."

2500. Would you explain to me again your reason for that suggestion?—In English assurances, according to the decisions of the English Courts that have been upheld for 150 years anyhow, the underwriter is only liable for losses immediately caused, proximately caused, by the perils against which he insures. He is not liable for the more distant results of those causes. Consequently, in the case of writing a war risk, where we write against capture, seizure, etc., we only pay for the actual damage suffered by the vessel, or the actual loss sustained by the owner, through the capture, seizure, or damage of his vessel. We do not pay for any secondary result of that. For instance, in the case of produce we pay for loss of produce, but we do not pay for loss of market, we do not pay for any loss of time bargain, supposing stuff is sold for delivery at a certain date and is not delivered till after

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that date. Now in some Continental countries, notably France, the words in which the risk of war is expressed in the French policy are so very wide that underwriters have actually been held to be liable for all those subsidiary secondary losses, which in many cases are extremely severe. I happen to know that practically, because in some risks that my company wrote in a French agency during the Spanish-American war, the Bordeaux agency, I think it was, we were held liable for loss of market and loss of profit on cargoes which had been captured, in addition to being held liable for the loss of the goods themselves. It is to prevent any undue extention of national indemnity or of any indemnity that I suggest those additions.

2501. (*Mr. Beauchamp.*) Is not that covered by the clause suggested: "As ordinarily covered by an English policy"?—Yes, but I did not know whether "as ordinarily covered by an English policy" referred only to the latter part or to the commencement. It was not quite clear how far it stretched back, so I thought it better to put the words at the very commencement, to cover the whole paragraph.

2502. (*Chairman.*) You noticed, of course, Section 4 of the Scheme, where the values are more particularly defined?—Yes.

2503. The wording there, "the value of the cargo at the port of shipment plus insurance and freight to port of destination," would exclude such secondary loss?—Yes, it would, under that section, but I thought it was better to make it clear from the beginning.

2504. Have you any further suggestion in regard to that paragraph 2 before we leave it?—Yes; referring to the words "being prevented by such instructions from reaching the country of destination," I think one or two words ought to be added to exclude enemy ports from permitted destinations. I suggest the words "British, Colonial, or neutral destination."

2505. Would not that be covered by the proclamation ordinarily issued at the outbreak of a war prohibiting the King's subjects from giving aid or comfort to the enemy?—Yes, I believe it would; but at the same time one might again make it quite clear in this document by itself.

2506. Section 3 I need not ask you about, I think. Now to come to values, do you consider the value of the ship at the time of capture a satisfactory value to take?—No, I do not.

2507. Why not?—Before capture the vessel might be damaged by sea perils, or might be damaged by some non-fatal war peril. On the other hand the value of the vessel and her cargo might be enhanced by the loss of other vessels and cargoes occurring after the sailing of the first vessel but before her capture. It seems to me that one would require to take the value at some definite period, either the commencement of the voyage or the close of the voyage. At the close of the voyage, if it were a successful voyage, the acceptance of that value would be open to the same difficulty as regards enhancement or fall by capture or safety of intermediate ventures, so that it seems to me the true value to take is the value at the start of the venture. It has suggested itself to me, as we have lately been going through a Marine Insurance Bill, which has been made an Act in the last Session, that the proper insured value to take is the insured value of that ship as defined by that Act. Perhaps I might give you a copy of the wording?

2508. That is the Act of 1906. Perhaps you would just read that extract to the Committee?—"In insurance on ship, the insurable value is the value, at the commencement of the risk, of the ship, including her outfit, provisions and stores for the officers and crew, money advanced for seamen's wages, and other disbursements (if any) incurred to make the ship fit for the voyage or adventure contemplated by the policy, plus the charges of insurance upon the whole. The insurable value, in the case of a steamship, includes also the machinery, boilers, and coals and engine stores, if owned by the assured, and in the case of a ship engaged in a special trade, the ordinary fittings requisite for that trade."

2509. I am afraid I am ignorant of the Act of last year. For what purpose was the value of the ship defined in that Act?—To fix the value in case no value was agreed in the policy. The statutory value of the ship is the value described unless otherwise stated.

2510. Then the Act of 1906 contemplated cases where no value would have been stated in the policy before the ship was lost?—Exactly so.

2511. And it then defined the value in that way, to be ascertained after the loss had taken place?—Yes, to be the value at the commencement of the voyage.

2512. Would there be any difficulty among underwriters and shipowners, parties interested, in arriving at the value in such a case under that clause?—It would cause considerable difficulty. The fact remains that, in I should think 999 cases out of a thousand, both the shipowner and the writer prefer to have the value agreed and put in the policy at the commencement.

2513. Then each of them knows his risk exactly?—Yes. This wording shows the items that are covered, but does not define the value. If we say a steamer, we understand that the word "steamer" covers all the items that are specified in this paragraph of the Act.

2514. Then turning to sub-section (*b*) we have suggested there that the value of the cargo should be taken as the value at the port of shipment, plus insurance and freight to the port of destination. That is on page 6 of the white print?—Yes. I think the difficulty there lies in the words "plus insurance." I suggest that that might be made clearer by saying "plus ordinary free of capture and seizure insurance," (what you might call peace insurance) "and freight to port of destination so far as prepaid." It might be that there was no freight prepaid, and it was all paid at the port of destination, so that in that case it should not be included in the value of the cargo. Supposing it is bought at the port of Antwerp, you pay an Antwerp price for it. If you pay the freight on loading the cargo, before the ship sails, that value is put into the cargo's value; there is no freight at risk. On the other hand, suppose your freight is payable at destination in the United Kingdom, say Bristol or London, the amount of value that is exposed to loss is the Antwerp cost plus a fair profit, brokerage, or what ever it may be, but excluding the value of the freight, which never is at the cargo owner's risk at all until it is delivered.

2515. And in such a case the cargo owner would be under no liability to the shipowner?—Not till the latter delivers.

2516. That raises the question whether in such a case the shipowner ought not to be indemnified for the loss of freight. You point out that the cargo owner will not have paid the freight, and therefore there is no cause to indemnify him?—Yes. Then the shipowner would insure with Government, or with an underwriter, or get indemnity for the amount of freight that was not prepaid, that was at his risk during the venture.

2517. Yes, it is not that we have included a risk that we ought not to have included, but we have given the advantage of the indemnity to the wrong person?—Yes. That depends on the contract of affreightment. It depends on the arrangement made for the place of payment.

2518. As regards the note to that clause have you any observations to make?—Yes. I should like to take the word "only" out after the word "shipowner," in line five, and I should like to add the words "charterer or person controlling the vessel, also the shipmaster, or other officer in charge." My reason for that is that one can conceive that instructions might not be conveyed through the shipowner at all. They might be conveyed to the shipowner, who might have no means of enforcing them upon his charterer, unless he makes arrangements in his charter to have that power of enforcement.

2519. What is the general policy in the insurance world as regards the treatment of a third party, an innocent party, if he is damnified?—He is generally very well treated, almost too well treated. The result is that in some cases we get third parties who look innocent, but cannot be considered entirely innocent, and for the sake of our own credit we pay them, when we feel that we are really robbing ourselves.

2520. It might be desirable then that in a Government scheme, especially if there were free indemnity, we should be a little less generous?—I think it would be most absolutely necessary.

2521. (*Sir George Murray.*) I should like to ask you what you think the probable effect of a free indemnity would be on prices generally, including the freight prices themselves and insurance?—Do you mean ordinary insurance?

2522. No, war risk insurance. Do you think it would tend to keep them down, or what would its effect be?—If free indemnity were offered, there would certainly

be a great rush for employment of shipping, and in that way it is possible there might be a certain amount of what one might call artificial competition created.

2523. Would you call it artificial competition?—Real competition artificially created, I ought to have said.

2524. That would *pro tanto* neutralise the effect of the Declaration of Paris, would it not?—It might to some extent.

2525. Do you not think it would have that effect entirely?—I have not considered that point. I should not like to make a statement very definitely on that.

2526. But you do not think it would materially prevent a panic rise of prices?—Let me understand. When you speak of prices, do you mean prices of produce, or prices of insurance?

2527. Would not the price of the produce include the price of the insurance? I mean, can you consider the two apart from each other?—The price of the produce ought certainly to bear the additional insurance.

2528. Therefore the price of the produce will include any enhanced value due to a rise in insurance?—Might I put it this way, that the man who wants to sell the produce will try to get in his price the full extra insurance? He might not, for market reasons, be able to obtain that price, but his object would be to get it, of course.

2529. Would not a free indemnity have the effect of keeping down that ultimate price. Would it not, in other words, reduce that element in the price which is due to increased insurance?—Yes, if you keep it from operating in any other way on the market it would have that effect. What I mean is this. A free indemnity might be so costly as to cause a general rise of expenses throughout the country, and in that case, there would be an addition to the prices from that cause alone, so that that itself might to a certain extent countervail the apparent advantage got from the free indemnity.

2530. Yes, but apart from any effect of the free indemnity in raising taxation, would it not have the effect of keeping down prices by eliminating the increased cost of insurance?—I think it might, to some extent.

2531. (*Sir George Clarke.*) The bonus that you propose is to apply to cargoes and ships, both?—Yes.

2532. And the effect of the bounty on arrival would be to increase the inducement to run the ships?—It seems to me so.

2533. I think you have told the Chairman that you do not think the inducements already existing would be sufficient without that?—I think this would be a considerable additional inducement, if I might put it so.

2534. Therefore the present stimulus is not quite sufficient. Another effect of your bonus system would be to check fraud?—I think so.

2535. But is it not rather expensive to give a bonus to 99 honest people in order to induce the one dishonest man to be honest?—If that were the sole object of inventing the bounty, it might be cheaper to let the dishonest man be dishonest.

2536. Would not the general effect of the bonus be simply to increase the value of cargoes of ships on arrival?—To increase the value of the arrived ones, yes.

2537. So that, probably, the bonus would be insured like any other part of the value of the ship?—It might be.

2538. A system of that kind might very well arise?—It might, unless it were made illegal.

2539. I think you said that the great rise of prices which one must expect in war would be due to the state of the produce market, but that would depend upon the nature of the war and of the produce, would it not?—Certainly.

2540. If the countries which supply us with food and raw materials generally were not involved internally in operations of war, and if their production was going on unchecked, would great rises occur on that account?—So much of our produce has to come by sea that you would always be liable to have that attacked.

2541. I am talking of the production; the production would be the same?—The production would be the same.

2542. If America was not at war, for example, her production would be unchecked?—Her production would be unchecked.

2543. And if Argentina were not at war her production would be unchecked?—Yes.

2544. So that it would not be the production market but the sea risks which would raise the prices?—Except that in the production market you would almost certainly have an artificial stimulus given by the fact of our being in necessity.

2545. Yes, the measure of the need would be the measure of the price. I think you said that facilities for insurance are as great now as they were at the time of the French Wars, but, of course, the stake at sea has enormously increased, not only in value, but in the numbers of the shipping?—Yes.

2546. (*Chairman.*) May I interrupt? I think what the witness said was that they were as great now in proportion?—I said I thought the comparative facilities now were as great as in the time of the war.

2547. (*Sir George Clarke.*) In proportion?—Yes.

2548. In your paper you have raised certain objections in principle to Scheme B?—Is that the purchased indemnity?

2549. That is the purchased indemnity scheme. I do not know whether you quite understand the nature of that scheme. The idea is that there should be fixed rates, fixed, of course, before the war, and lasting during the war, not to be raised under any circumstances, but giving to the Government power to say that they should not hold on particular routes, if necessary?—No, I was not aware of that.

2550. That is the general nature of the scheme. The objection that you raise is, I think, that it is proposed to postpone the levying of premiums till the cost of the risk is known. Of course, that would be impracticable; but I suppose one of the essential features of insurance is that it should be paid on the nail?—Yes, the premium paid on the nail. In England it is. It is not in France. In France premiums on hulls on time are paid 11 months after the risk commences.

2551. But I suppose in any system of war insurance prompt payment would be an absolutely essential feature?—That is the essential feature.

2552. Then what is the other objection on principle that you raise. I think one is that you think the State would get the bad risks?—That is in connection with the suggestion of Mr. Wilding. I do not know if you recollect his evidence before the Royal Commission on Food Supply. He suggested that risks up to 5 per cent. (I suppose he means 5 per cent. per voyage, and not per annum) ought to be allowed to be done in the ordinary way with underwriters, or with marine insurance companies, but that any risks that were rated above that premium ought to be placed with the State, or rather that the State ought to take charge of them. It seems to us, or to some of us, who are in the underwriting business, that the sole effect of that would be that the ordinary underwriter would get all the good risks, the 2s. 6d., 5s., 7s. 6d., one guinea, and two guinea risks, on which the risk is comparatively small and the return is fairly safe, and that the State, having lost all those, would undertake all the really perilous risks.

2553. Would there be many half-crown risks at the outset of a war in which British commerce was exposed or thought to be exposed all over the world?—There might be, and there might be very valuable half-crown risks. For instance, the movement of bonds and specie at present from London to Paris, from London to Bremen, from Trieste to Alexandria, from Alexandria to Bombay, from Alexandria home—all these risks are, for sea as well as war, covered at present at half a crown, and it seems to me that a good many of those risks would still go on, for, anyhow, a short time, at the commencement of a war, without being interrupted, and they would be rated at a low rate. There would probably be immense shipments of one kind and another at the commencement of a war.

2554. Then in stating your opinion were you thinking of a fixed rate, or were you thinking of the State setting up a great insurance office, and managing it on underwriters' principles?—It seemed to me that it was impossible to contemplate the State fixing a premium at the commencement of war, the progress of which and the course of which was doubtful. It seemed to me impossible that they would start with the idea of a fixed rate. That rate might either be grossly inadequate for the risks that were run or else it might turn out to be grossly exaggerated. In one case the State would

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be greatly underpaid for the risks it was running, in the other case the State would be overcharging for it.

2555. But supposing the calculation was based on something like an average derived from the last period of a great war, that there would be within a year such and such a percentage of captures, and it was based on something of that kind; then if that proportion of captures was not largely exceeded the State would know pretty well where it was?—But could any such comparison be drawn? Is it possible to draw any real conclusion from two states of affairs which are so entirely different? The growth of steam power, the change of the method of propulsion, the independence of most tonnage from wind and wave, one might say the opening up of new routes in consequence of being able to proceed in directions that were formerly forbidden by certain winds, everything of that kind seems to me to prove that there is no possible comparison between what would happen in the case of a war now and what happened in the case of war at the beginning of last century.

2556. That may be, but still the principle on which a scientific rate would be fixed would be what we cannot have, a purview of the war as a whole. The rate which an underwriter fixes from day to day, when he gets a telegram of a loss in some particular part of the world, and up go the rates, cannot be scientific, and therefore would not the scientific principle, if it could be had, if we had knowledge enough, be the principle of a fixed rate lasting throughout the war?—I do not like to suggest it, but if I may might I suggest that the assumption is fatal.

2557. Why fatal? In the worst cases the State has to pay rather heavily, but if the State has accomplished a great object it may be worth doing it. In the other case the State gets a little too much, that is all. It does not seem to me to merit the word "fatal" quite?—But does the State accomplish the object by paying the losses, or does it accomplish the object by getting the ventures completed?

2558. The sole object is that, and, as the State lets all the cargo owners and the merchants know the cheapest rate at which they can get their insurance, they do not find their businesses so much disturbed as when they go to their offices one morning and find that rates have gone up to 30 guineas which were small the day before?—Yes; there is the advantage of fixity undoubtedly.

2559. And do you not think that the violent fluctuations which must occur would be a very serious check on the operations of commerce?—I think the operations of commerce would be more seriously checked during the few weeks before the outbreak of war than on the actual outbreak of war. I think the markets would be restrained, very close indeed, for, say, ten days before the outbreak of war, and after the outbreak of war people would begin to think of businesss again.

2560. Then if a scheme of this kind is to be devised, of course that scheme could be operative always?—You could make it retrospective.

2561. Of course, nobody would take it in times of perfect peace, because the ordinary rates would be much lower, but it would be there, and available. Do you not think that might possibly be a gain?—It might, but it seems to me, unless I am quite wrong in my ideas of what the rates would be, that the cost might be very great.

2562. Of course, it could not be so great as in Scheme A, or nearly so great, because there must be a substantial return?—Certainly it is more economical than Scheme A.

2563. Yes, it must be more economical than Scheme A, and in the long run, especially if, after the first few weeks of war, the Navy did all that we expected of them, it might be economical?—There might even be a profit on it.

2564. It is fair to say, is it not, that the impressions derived by the underwriter and the rates he fixes must be determined a good deal by a consideration of his own personal point of view?—Probably of the business he has actually been doing.

2565. His own small circle of business?—Yes.

2566. That is to say, if he has had a heavy loss at any time, the tendency would be for him in the future to keep rates as high as he could, in order to cover that loss?—Yes, I think so.

2567. Therefore rates are not necessarily fixed in accordance with the risk at the moment?—Let me put it in this way. An underwriter who has made a loss in a particular direction will probably ask a higher price than a man who has not had that loss, but he may lose the risk altogether.

2568. The man who has not burnt his fingers may come in and under-cut him?—If you put it that way.

2569. But if there had been considerable losses in the first few weeks of war, spread over a good many underwriters, their tendency for the rest of the war would be to keep rates as high as possible to cover that risk?—Yes, I think so; to keep rates as high as possible.

2570. But the State, not having that object, would not do that?—The State, having an unlimited purse, could do what the underwriters could not do.

2571. Not being frightened by initial losses?—Certainly.

2572. (*Chairman.*) Do you agree with the question put to you, that that would be more scientific?—No, I cannot agree that it would be more scientific.

2573. (*Sir George Clarke.*) Then may I take it that you think if a scheme such as B could be devised it would at least have a steadying influence?—I think if a scheme like B could be devised and properly worked it might have a steadying influence.

2574. Do you think a steadying influence may be required in the State in time of war?—I have not been through a home war. I cannot tell you.

2575. No, I am afraid we are all guessing. But it is possible that there would be a panic before war broke out?—I think before war breaks out is the dangerous time, so far as I have been able to see.

2576. You do not see any fundamental objection to scheme B; your objection is that the State might lose a good deal or that it might gain a good deal. You do not see any objection on principle?—I confess I cannot get over the difficulty which I may call the unfairness of making a fixed rate over the whole campaign or a whole year.

2577. Yes, but you have admitted, have you not, that if one had an idea of what the total loss would be it would not be unfair; it would be the most scientific thing that could be conceived?—That is what I think I meant when I said I thought the assumption was fatal.

2578. But your main objection is that you think the State might lose too much?—I think the State would certainly lose. The other objections would be objections to the practical working.

2579. And do you think it would be quite impossible to work practically?—Many of my colleagues think so.

2580. Do they quite understand what is meant?—I think they understand what is meant.

2581. Supposing you had a fixed schedule of rates, so much per cent. in such a zone, and so much per cent. in another zone, and that was all printed on forms, and the forms were handed out to certain insurance firms to act as agents on commission, where would the practical difficulty arise?—That is an introduction of a new point as far as I am concerned. That is a point of which I was unaware—handing out schedules to firms to act as agents for the Government.

2582. Do you see any grave practical difficulty in that?—It would not be so difficult as to work it under a Government Department.

2583. Of course, we are aware of the difficulty of getting an accurate estimate of values, but some witnesses have told us that that might be got over, and that we might perhaps take, for the purposes of the purchased indemnity of the Government, the values which have been taken for the marine risk?—I should like to draw your attention to the evidence of one of the witnesses in the Food Supply Commisssion, who said once that if those values were going to be taken as fixing him for the value for insurance against war, then his £30,000 steamer would be insured for £50,000 against ordinary risks.

2584. You do think that that is an objection to any form of Scheme B, that the State would be in a difficulty in arriving at the value?—I think it is a great difficulty.

2585. You do not think any system could be devised by which values could be estimated?—I think it would be extremely difficult.

2586. I suppose the value of steamers is pretty well known?—Yes. Of course the building price is usually ascertainable, and one can allow for depreciation, and allow for rise or fall of value owing to increase or diminution of the value of tonnage in the meanwhile, the ordinary value apart from depreciation.

2587. And the value of cargoes can be estimated fairly?—That can be easily estimated.

2588. So that it might be possible to arrive at the value?—There is no absolute impossibility about it.

2589. (*Mr. Beauchamp.*) You think that the value of produce in time of war would be determined by other considerations than the question of war insurance?—Yes.

2590. By the question of supply and demand?—From the best information I have been able to get I have been convinced that the rate of war premium would be only a small factor in determining the value.

2591. But the price of commodities, from a commercial point of view, would rise both for the belligerent and the neutral, would they not? Each would have to pay the same price; that is to say, that Spain would have to pay the same price for cotton at Barcelona as Liverpool would for the cotton itself, apart from the war insurance?—You mean that the seller in America would take the same price from a buyer on Spanish account as he would from a buyer on English account?

2592. Yes?—Yes, I do not see why he should not.

2593. But the English merchant would have to pay a higher price for his cotton, by the amount of war premiums that he had to pay, than the Spanish buyer would?—Yes.

2594. Therefore we should be at a disadvantage?—We should be at a disadvantage in that respect.

2595. Therefore it would be advisable to keep down, as far as we possibly could, the war premium?—Yes.

2596. Do you think that the premium at the outbreak of war, or before the outbreak of war, would be considerable on most voyages?—That would, of course, depend, to a certain extent, upon the Power with which the war was being waged, and on the disposition of the naval forces of that Power at the time.

2597. Yes. Assume that we were going to war with a first-class naval Power?—If we were at war with a first-class naval Power, with a certain amount of strength in the North Atlantic, the outbreak of a war would certainly cause a war premium of some extent to be levied.

2598. And do you think that the war insurance market would be sufficient to cover a ship and cargo of a large value?—I should say an ordinary ship and cargo ought to be easily enough absorbed.

2599. How much do you think the ordinary market would absorb? Do you think there would be a war insurance market, say, for instance, to the extent of the loss of the Dakota, £750,000?—A swift liner, about a five-day boat across the Atlantic, I should say, or five and a-half days?

2600. Do you think the market would be large enough to cover that?—I think it might.

2601. At the outbreak of war, before any capture?—Yes.

2602. But, suppose two or three captures occurred in one or two days, and were placed on the loss book, do you then think you would be able to cover three-quarters of a million?—It might be more difficult.

2603. At any rate, the premium would go up very considerably?—The premium would go up.

2604. And as the premium went up the market would become smaller, would it not?—I am not sure about that. It might bring out more writers.

2605. Do you think you would get as many writers for the 15-guinea risk as you would for the 2 guinea?—No, but I do not anticipate it would be a 2-guinea risk to begin with.

2606. Do you think the premium would be greater than 2 guineas at the outbreak of war?—I imagine that if a North Atlantic war were imminent, a war with a first-rate Power, we might have a 5-guinea rate. I think there is more chance of the risk being pitched high now than some time ago. If they started high I think they might work back.

2607. If there were no captures?—If there were no captures; just as in overdues. We have noticed of late years that instead of the rate commencing at 2 and 3 guineas you jump up to 5 or 7 at once, and then you sometimes fall back next day.

2608. But it is rather anticipated that there would be a considerable number of captures in the early weeks of war?—I have always thought the early weeks of war would be the serious time.

2609. And, therefore, in the early weeks of war the war insurance market might be contracted?—It might be contracted, yes. Of course, £750,000 is a big figure. but there are many grain cargoes and cotton cargoes from Canada and the States (Montreal, St. John, N.B., New Orleans, Baltimore, and Philadelphia) that do not reach to that figure, so that the market would not be contracted on their account.

2610. Supposing there had been several captures taking place within the early weeks of a war, what do you think would be the extent of the war insurance market?—Thirty guineas.

2611. I do not mean the premium, but the amount that the market would cover?—After captures?

2612. Yes?—A quarter of a million.

2613. In answer to Sir George Clarke you said that the adoption of a scheme such as B would have a steadying influence. That would be the same with Scheme A as well, would it not? Both Scheme A and Scheme B would have the same effect as a steadying influence?—There would be the same security, but I think Scheme A would involve such an amount of looking after the shipowner and cargo-owner (in fact, looking after the venture), that the shipowner and cargo-owner would be more hampered in their operations, and would find themselves in a more difficult position than under Scheme B.

2614. Why is that?—Because I think that when people have to pay for a thing they take more care of it than when they get it for nothing.

2615. You said they would be more hampered under Scheme A than under Scheme B?—Yes.

2616. They are not going to pay anything under Scheme A?—No; the result is that the Government has to protect itself by laying restrictions upon them.

2617. But they would both have the same effect as steadying influences?—Because they give an excellent security.

2618. Then with regard to the practical working out of any scheme, such as B, do you think it would be practicable, even under the scheme suggested to you by Sir George Clarke, of the underwriters being authorised to act as agents for the Government, to adopt such a scheme after the outbreak of a war?—I think it would be very difficult, I must say. Very difficult indeed, I should say.

2619. And if it were not done in that way, if the underwriters were not to act as agents, do you think it possible to form a Government Department to carry on the war insurance after the outbreak of war?—If the thing is to be done at all it has got to be done in time of perfect peace. An expensive department has to be formed and kept up, we hope for many years before it is needed at all, and it must be just as ready to undertake its operations on the threat of war as our Navy is.

2620. (*Sir George Clarke.*) What would this large establishment be doing?—Keeping its eyes open.

2621. (*Mr. Beauchamp.*) I think you mean you could not improvise it after the outbreak of war; you must have everything ready?—You must have everything ready.

2622. (*Sir George Clarke.*) But the counsel of perfection would be that the scheme should be in operation to-day, only that it would not come into being because the prices would be too high, but that at any moment a man can take a State premium if he thinks the war clouds are looking black?—It is a very large order.

2623. (*Mr. Beauchamp.*) The staff would have to be formed in peace time?—I think so.

2624. That staff could not be very greatly enlarged

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after the outbreak of war?—You would add to the dangers of carrying out the scheme if you were to seriously add to your staff afterwards, or to look for your capable men afterwards. I should say, if you will allow me, that many of my colleagues are strongly of the opinion that any scheme of the kind would almost necessarily fail; but I cannot say I feel that quite so strongly as most of them do.

2625. (*Chairman.*) By your colleagues you mean the members of the Liverpool Underwriters' Association?—Yes, but I do not regard the Government as incompetent to do business, in the way that has sometimes been suggested.

2626. (*Mr. Beauchamp.*) But they could not start after the war had broken out, could they?—Not straight afterwards. They must prepare beforehand.

2627. And no difficulties of that kind would occur under Scheme A, because under Scheme A there would be no policy of insurance taken out, but only payment to be made if a loss was sustained?—But surely you do not allow a man to undertake any venture he likes under Scheme A, and to say he is covered by the Government?

2628-9. He would automatically come in at the outbreak of war. The Government could afterwards say that certain voyages would not be accepted?—That seems to me a very, very wide cover to grant, one that would be a costly cover for the Government in the end, I think.

2630. They would only pay for those that were lost. Under your scheme, apparently, they are to pay for everything which arrives?—Yes, a bounty.

2631. Therefore, the fewer the captures made, the greater would be the loss to the country?—The greater would be the cost to the country the fewer the captures made, undoubtedly, on that account. On the other hand, every arrival would knock down the premium, so that when you take the two together the probability is you would come out quite as cheap in one way as in the other.

2632. (*Sir Thomas Glen-Coats.*) Do you think, in the case of a war with this country, the prices of food stuffs and raw materials—you mentioned cotton just now—would probably fall in the countries of production? My reason for asking that is, the owners of the food stuffs and raw materials, if they could not sell their productions, would require to provide storage in these countries. Do you think the prices of food stuffs and raw materials in the countries of production would fall?—I should say that if the producers suddenly discovered that one or two great markets were closed to their operations, closed for their sales, they might not value so highly the stocks that were left in their hands.

2633-4. I was thinking of this country. Of course, this market for food and grain stuffs is the largest foreign market the countries of production have?—Yes.

2635. Therefore, I wondered whether the fall in the countries of production would not make up to a certain extent for the extra cost of freight and insurance, and therefore help to keep the price of food stuffs and raw materials down in this country. Of course, if the cost of cotton rose very high there would be less cotton consumed in this country, as we could not compete with foreign manufacturers; also, with regard to food stuffs, there would be less consumed if they rose to a very high price. It occurred to me that prices in the countries of production would necessarily fall?—I should not have thought so. At least, I do not know of any case in which that has happened. For instance, I do not know, in the case of any country that we get cotton from, that the occurrence of a war has raised those prices or diminished those prices seriously.

2636. No, but this country has not had any war during the time it required to take such large quantities of cotton from the United States?—I should not have thought that the effect would have been to diminish those prices, but the question is one entirely new to me. I could not answer definitely offhand. I think myself it would not operate in that way.

2637. (*Chairman.*) Assume, for a moment, that our markets were closed; that might diminish the prices in America, for instance, for cotton or corn, in consequence of the loss of so vast a market as ours?—Yes.

2638. That being so, the foreign countries would, I suppose, obtain their cotton and corn cheaper, if they bought any?—Yes, they might.

2639. But, *ex hypothesi*, cotton and corn would be at famine prices here, would they not?—I think so.

2640. Because the fall in America would be due to their being unable to get any of their stuff into this market?—Solely.

2641. So that other countries would benefit by the fall, but we should be suffering from famine prices?—Of course, other countries might at the same time find it advisable to absorb as much of the crop as they could get. It is quite possible that the German spinning districts, the French spinning districts, and the Swiss spinning districts, might take up a great deal more cotton than they are taking now.

2642. (*Sir Thomas Glen-Coats.*) Following that up, they could only use up the amount of cotton that they had machinery to manufacture. They would have to store it?—Well, there are such things as driving mills overtime, doubling staffs, and doing things of that kind. I think, perhaps, the point you have suggested holds more in the case of raw materials. The food might be cheaper for our rivals in consequence of our going out of the market.

2643. (*Captain Ottley.*) With regard to the possibility of transfers to a neutral flag, you mentioned in reply to Mr. Beauchamp just now that there was a possibility after certain captures had taken place that the war premiums payable by British ships, supposing Britain were a belligerent, might rise even as high as 30 per cent. Such war premiums paid by the shipowners would, one would suppose, be recouped to them in increased charge for freights, and, of course, that would mean ultimately that the consumer and the shipper would have to pay those prices if the merchant shipped in a belligerent vessel. That is so, is it not?—Yes.

2644. Then the war premiums paid by neutrals would be less. You can hardly imagine, for instance, that a ship full of iron ore from Bilbao, if she flew a neutral flag, would be liable to pay such a heavy war premium as if she flew the British flag?—Do you mean a cargo on British account in a neutral bottom?

2645. Yes?—That would be protected at present under the Declaration of Paris.

2646. Hence neutrals would be able to take cargoes at a lower freight?—Yes.

2647. In such a case, if there were two ships, a British ship and a Spanish ship, lying in Bilbao Harbour, both of them anxious to get a cargo, there can be no doubt which would get the cargo?—There can be no doubt which could afford to offer the lower freight.

2648. And do you not think also there would be no doubt as to which would get the cargo?—In ordinary circumstances, yes, unless there were something very exceptional.

2649. So that, logically, it seems that any increased war premium paid by a belligerent over the war premium paid by a neutral is tantamount to a bounty which the neutral has got?—Yes, practically.

2650. And of course the larger the difference of war premium the greater the burden?—Yes.

2651. One of the objects of our scheme is, as far as possible, to keep the trade in the British ship. Then there was one small point as to the very interesting evidence you gave us with regard to the transfer of British shipping to a neutral flag. Do you not think that the facilities for such transfers are enormously greater than they were 100 years ago, by reason of the rapid communication by steam and the electric telegraph. A shipowner in England, seeing that war premiums are going up very rapidly, cables over the Atlantic to some great capitalist combination on the other side, assuming America is a neutral, and the bargain is fixed that day, or at least it is fixed very rapidly. Is that possible?—At present in the case of America it is not possible. The law of the Union is against it.

2652. Can we take a case of a country in which it would be possible, for instance, some other neutral country, such as France?—My recollection of French law is that it would not be permissible there.

2653. My point is that as compared with the state of things a hundred years ago all those little difficulties are immensely smoothed away by the power of rapid

intercommunication?—All difficulties other than the legal, yes; but I think the real difficulties are the legal ones, so far.

2654. I do not want in the least to underrate them. The difficulties are enormous from the legal point of view. But from the point of view of the mere apparent transfer the fact of their being able to get across the Atlantic, so to speak, in the twinkling of an eye, instead of taking a month to do it, as we did a hundred years ago, I should have thought made it easier to arrange those transfers?—I do not know that it makes it easier, but it makes it more rapid. I mean one can decide, perhaps, in 24 hours what one would in the old days require, perhaps, four months to settle. Will you allow me one word?

2655. (*Chairman.*) If you please?—Captain Ottley suggested to me a very interesting thing just now when he spoke of the bounty conferred on the foreign neutral by the height of the war premium on British vessels. Would not that bounty be very largely discounted, at least in cases of useful cargo, by the adoption of the bounty system that I have suggested here, the return of the war premium to the shipowner, and the shipper of cargo or the owner of cargo, in the case of successful ventures.

2656. (*Sir George Clarke.*) Then you would not confer your bounty upon neutral ships,, even if they brought in very valuable cargo to us?—No. My idea was it was a national indemnity, to be confined to things that are national.

2657. (*Chairman.*) You recognise a certain danger to the nation of losing this shipping in time of war?— Frankly, yes.

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2658. And personally you are anxious to find some further protection than we yet have?—Certainly. I do not think that any system of indemnity or any payment of cash will ever make up to this nation for the want of the food on which we live, or the want of the raw materials which we have to work up; so that anything that brings about the delivery in this country of those things is worth encouraging by every means in our power.

2659. But in the suggestion you just made to me, which was very pertinent, you were thinking not of the cargoes, but of the ships for the moment?—I was thinking of the ships for the moment, but the two go so much together that it is difficult at times to express them separately.

2660. I quite agree. At the same time, we have to try to keep them separate in our minds, because, as you see in regard to this particular matter, they lead to different conclusions. If you are thinking of keeping the price of food low, you might repay the insurance on the successful cargo of food, whether it came in a neutral bottom or in one of our own ships?—Yes.

2661. If you are thinking, as at the moment you were, of the ship, you then confine it to the British shipowner?—The British shipowner alone. If the cargo of a British owner comes in a neutral bottom, I think that cargo is entitled also to the rebate, but I do not know that the owner of a foreign neutral vessel carrying a cargo is.

THIRTEENTH DAY.

Tuesday, 7th May 1907.

PRESENT:

The Right Hon. Austen Chamberlain, M.P. (*Chairman*).

Sir Thomas Glen-Coats, Bart., M.P.
Sir George Sydenham Clarke, G.C.M.G.
Sir George H. Murray, K.C.B.
Captain C. L. Ottley, R.N., M.V.O.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Arthur Lindley.
Mr. George H. Duckworth (*Secretary*).

Mr. Frederic Bolton, called and examined.

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Mr. Bolton, in a preliminary memorandum,* had submitted:—

(1) That a scheme of national indemnity is desirable in the interests of the nation, and that in time of war some such scheme of protection, whether desirable or not, will be forced upon the Government of the day.

(2) That the advantages to be derived from such a scheme are:—

(*a*) Relief of Government from popular pressure;

(*b*) Steadier prices;

(*c*) Continuity in the supply of food stuffs and raw materials;

(*d*) Better distribution of the cost of war losses;

(*e*) Continued employment of the mercantile marine;

(*f*) Prevention of discrimination in favour of neutrals;

(*g*) Removal of temptation to transfer to a neutral flag.

(3) That Scheme "A" is preferable to Scheme "B," and might be developed upon the lines suggested. (See Appendix.)

(4) That payments for direct losses under a full scheme of indemnity may be estimated at £10,500,000. (See Appendix for details of calculation.)

2662. (*Chairman.*) You are an underwriter and broker, I think?—I am.

2663. And a shipowner?—Yes.

2664. You have been good enough to send us a printed memorandum of your evidence, and I think we may take it that the Committee have read that, and I propose therefore to print that as an Appendix. The questions I put to you will only be to elucidate matters in connection with it. I will follow the order of your paper. In regard to the suggestion you make for altering the definition of the persons entitled to claim indemnity, what is the object of your wider words?—As far as regards the ships, I think it would be a wiser plan to make the scheme Imperial. As far as regards the cargo, in order to secure the objects that I have named, it would be necessary to give the guarantee for the cargo shipped, and not only for the cargo liable to capture.

2665. But your words might include, might they not,

* *Vide* note, page iii.

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foreign goods, and even enemy goods?—Certainly. Of course, the enemy goods, I take it, could not be legally insured under the common law if proved to be enemy goods. It is intended to cover foreign-owned goods. I think the difference is so small, and the difficulty would be so great if the protection were limited simply to British-owned cargo, that the guarantee should be as wide as I have put it, that is to the British flag.

2666. What is your main object. Is it to secure the continued activity of our Mercantile Marine, or to secure the continuance of our supplies of food and necessaries?—To secure the continuance of our supplies of food and necessaries.

2667. Would you, then, include in the indemnity voyages between foreign ports?—I should, as a matter of fact; it is not necessary, I quite admit, for the supplies of necessaries to our own country, but I am dealing with the problem that would arise on the outbreak of a European war. "Between foreign ports" would, of course, include all Continental destinations. Such voyages, I think, should be included. You would have such a dislocation of our trade that the effects would be disastrous if you did not.

2668. I was thinking, for instance, of a cargo going from America to a port on the Continent, not, of course, being our enemy of the moment?—To a neutral port?

2669. To a neutral port. Have we any interest in giving an indemnity on that cargo?—I think so. I think our interest is the protection of our Flag.

2670. Would you do that in order to secure the continuation?—The continued employment of the Flag. That would be one great object.

2671. For the same reason you would extend the indemnity to export voyages as well as import voyages?—Yes. I think that would be necessary to keep our mills employed, to keep our trade going. I should wish to preserve our trade. I have tried to frame the scheme on the basis of preserving our trade as nearly as possible as it is in time of peace.

2672. Including in the term "our trade," our shipping trade?—Yes, our shipping trade.

2673. Not merely the goods carried, but the ship itself?—Yes

2674. On page 2 you say if the benefits afforded by the scheme are restricted to the cargo liable to capture the usefulness of the scheme is seriously imperilled. Have you considered the result of the alternative that you suggest?—Making it a full indemnity?

2675. Yes?—From what point of view?

2676. Will it not result in a good deal of cargo which is now shipped under foreign ownership, and which would therefore be neutral cargo, being transferred before shipment to British ownership, and becoming, therefore, belligerent cargo?—No. If you guarantee the Flag it will not be transferred to British ownership. I think, if you have the condition as given here under Scheme A, then you would get a great deal of neutral cargo transferred to British ownership in order to gain the advantage of the scheme. But under the scheme that I suggest that would be unnecessary; all cargo under the Flag would be protected.

2677. But the British-owned cargo, being the property of a belligerent, would be good prize?—Yes.

2678. Cargo that is neutrally owned would not be good prize?—Quite so.

2679. Why, then, should we give an indemnity?—Because otherwise you would give such a blow to our shipping trade, and you would increase the difficulties of making the scheme effective, for I do not think any merchant, if a neutral, shipping by a British ship, would allow his cargo to go uninsured against war risks, and the premium would be higher by a British ship. It would act against our shipping.

2680. Why should it be higher on neutral goods, not being contraband of war?—Because the ship might be a good prize. The cargo would be taken into a port not the port of destination; the neutral cargo might be released, but what is the good to a man of a cargo 500 miles from its destination?

2681. The temptation to the belligerent to condemn the neutral cargo would be very much enhanced, would it not, by the knowledge that if he did condemn it the British Government would have to pay the cost of it?—It might be, but I think the difference in cost is so small that it is a very small price to pay for the advantages. I have made my calculations on the assumption that that cargo would be a total loss, and there would be no recovery from it, whereas if we were the victors we could probably enforce recovery.

2682. By way of an indemnity after the war was over?—We might, but I have not made any allowance for that at all.

2683. I see in your note you quote Prince Bismarck—I understand with a view of suggesting that it would be unwise for us to rely much on the protection which the International Conventions dealing with war appear to afford?—That is so. I pay no attention to those at all. I think in the transactions of ordinary trade (the cost of insurance, etc.) no attention would be paid to any Treaties or Conventions.

2684. I am not sure that the citations that you make exactly bear out your argument. They refer to military alliances, contemplating common action many years ahead, do they not?—I read my meaning in it. I may be incorrect. That is what I take it to mean.

2685. You have looked at the context in the "Reflections and Reminiscences"?—Yes, I have read it through.

2686. I want to ask you a question or two on the subject of the losses to be covered. You say that in order to avoid difficult questions of responsibility the document of indemnity should be so worded as to be complementary to the policy of insurance?—Yes.

2687. By that I think you mean the ordinary policy of marine insurance?—Yes.

2688. That, I think, was the intention of our wording. Would you explain wherein in your opinion our wording fails to carry that out?—The wording in Scheme A is definitely against particular risks. You might have a doubtful case. I am looking at the possibility of an assured claiming, and it being held that he had no claim under this clause, and his then proceeding against his ordinary insurance in a Court of Law, and being told that he had no claim against that. What remedy has he got?

2689. What occurs now? Sometimes, I suppose, a shipowner has a war policy with one office, and a marine risk policy with another office?—Yes, and then it would be done in my way. The war policy would be against the risks excluded from the marine policy, and in case of a doubtful claim he would proceed against both, leaving it to the Court to say which was liable.

2690. Are there not risks which would not be covered by either?—As far as regards war?

2691. Yes?—I do not think I quite appreciate the point.

2692. The ordinary war policy covers you against the immediate consequences of hostilities. It does not, I think, cover you against loss of market, does it?—Loss of market arising from a definite war risk?

2693. Yes. To make my meaning clear, let me refer to some evidence we had last week: "In English assurances the underwriter is only liable for losses immediately caused, caused proximately by the perils against which he insures. He is not liable for the more distant result of those causes. Consequently, in the case of writing a war risk, we only pay for the actual damage suffered by the vessel, or the actual loss sustained by the owner through the capture, seizure, or damage of his vessel. We do not pay for any secondary result of that. For instance, in the case of produce, we pay for the loss of produce, but we do not pay for the loss of market"?—But your value is defined by agreement in the policy. There is no question. The market might have gone either way.

2694. I was asking you about cargo?—Yes, I meant that to apply to cargo. The insurance is done with an agreed value in it. It may be quite wide of the market value. The market might fluctuate either way, but the insurance would be for a certain sum.

2695. But then I do not understand what is the case in which you fear that the owner of the cargo would fall between his two policies?—I cannot tell that there would be any case, but you have two separate contracts, not necessarily connected with one another. You intend them to be, and you carry that out as far as you can, but litigation is always uncertain: whereas if you make the one policy definitely refer to

the other, and take the risks excluded by No. 1, the assured is in a very much better position.

2696. Does a war policy cover you for loss by demurrage?—No, not for loss by demurrage in the ordinary sense.

2697. But demurrage caused by inability to move in consequence of a war risk?—Demurrage, no. I think you will find that is covered by a judgment of Lord Justice Collins:—"All that underwriters on ships insure against is damage to ship, and expenses occasioned by detention or delay are damages suffered by the shipowner, but not to the ship." Of course, with regard to the cargo, it would apply equally. Demurrage does not come in.

2698. But suppose a ship were prevented by circumstances of war, by the presence of an enemy's cruiser in the offing, from leaving at the time at which it had intended to sail, that involves loss to the shipowner?—Yes.

2699. And may involve further loss to the cargo owner?—Yes.

2700. Would that be covered by an ordinary war policy?—No. That case also was tried in the Franco-German war. A ship with nitrate to, I think, Antwerp, put into Rio, and remained there for some months from well-grounded fear, as the Courts held, of French cruisers that were reported to be in the neighbourhood. The owners of the cargo brought an action against the owners of the ship for the consequences of the detention; it was held that the detention was justifiable, and the shipowners were not liable, nor would the underwriters be liable under an ordinary policy.

2701. No, but would you make the State liable in such a case?—No, I do not import any fresh liability.

2702. (*Mr. Beauchamp.*) I think there is really no difference between our scheme and your contention. All that we do is to state what losses are to be covered by the indemnity. You only explain how you think it is that should be carried out. We come exactly to the same thing?—Yes, I know we mean exactly the same thing. It is only a question of the better way of wording it. I think bankers and merchants would prefer to take my wording than the wording in Scheme A.

2703. (*Chairman.*) And you do not consider that your wording includes any more than ours?—No, not at all. It is only another way of expressing it.

2704. (*Mr. Lindley.*) It means having two policies complementary one to the other?—Yes.

2705. That is what they are now?—Yes.

2706. (*Chairman.*) But look at the note. We have suggested that losses through delay or diversion of route should not be covered, on which you comment that there should be no such qualification?—No such qualification is necessary, I think. You give the protection, and why qualify it in that way? Losses through delay are not recoverable as it now stands.

2707. Then it is not that you think they ought to be covered, but merely that you think the wording is not what it ought to be?—I think the qualifications are better left out.

2708. Now we will proceed to 3: "Conditions to be complied with in order to secure indemnity." You say that no such conditions such as are here suggested are necessary, except as defined on page 4, paragraph 4: "Compliance with instructions given by any duly authorised representative of the Government, as distinct from advice or information should be compulsory"?—Yes.

2709. Is there much difference between that and what we have drafted?—Yes. I think you provide here, in Scheme A, for a notification from shipowners of the intention to sail and furnish particulars, if required, and comply with any directions issued by the Admiralty. I would make any official instructions given compulsory; but, apart from that, I would let the trade go on in exactly the same way. There is nothing to be done unless there is a loss—unless, for good reasons, the Government consider certain action should be taken, and then compliance with those instructions should be compulsory; there should be no option.

2710. But you agree that the Admiralty must have power to exercise some effective control over the ventures?—Yes. Any instructions given by a duly authorised Government official should be compulsory.

2711. But if they are to make their control effective, must not they have some knowledge of what the shipping is doing?—I do not think more than public knowledge. They can get it at any time. There is no difficulty in getting it. But if you had all these instructions put in you would have an enormous mass of work, and I do not see what benefit you would gain. *Mr. F. Bolton.* 7 May, 1907.

2712. You contemplate that the instructions of the Admiralty would be general as regards particular routes or particular trades?—They might be general or they might be particular. The Government might choose to exclude routes within a certain radius of an enemy's country, for instance, or the Admiral in charge of a particular place might give orders that certain particular routes should be followed. If those orders were given, the compliance should be compulsory.

2713. (*Sir George Murray.*) Compulsory in order to secure indemnity?—If instructions were wilfully disobeyed, an innocent third party should not suffer. But I would penalise the man who disobeyed very heavily.

2714. But you would only penalise him so far as the indemnity was concerned?—If he was the owner, yes. But if property was imperilled or lost by the wrongful action of a man who was beyond all control, I would not penalise innocent third parties. For instance, if an innocent shipper shipped cargo in a steamer and the master disobeyed instructions, I would not deprive the shipper of protection.

2714*. (*Chairman.*) Would you make the shipowner responsible for the action of his master?—No.

2715. Then you contemplate that if the shipowner had given general instructions to his officers that they were to obey the Admiralty orders, and if a master of a vessel, in spite of those instructions, disobeyed, you would take penal action against the master, but you would accord the indemnity to the shipowner?—If the proper instructions had been given and there was no guilty knowledge or connivance in any way.

2715*. Must not you hold the principal responsible for the acts of his agent?—I do not think you should in such a case as that.

2716. (*Mr. Lindley.*) As a matter of fact, you do not now in a marine policy. There is a special clause put in to obviate that?—Yes; there is no new principle introduced at all.

2717. (*Chairman.*) Then we come to the basis of value. In your opinion it does not much matter what reasonable basis you take provided it is known beforehand?—That is so.

2718. I have asked one or two witnesses whether a reasonable basis would not be such as you suggest here, the original cost to the existing owner less a certain percentage. I think they have nearly all told me that they thought it would be unsatisfactory. That is not your view?—No.

2719. Would it not work out very unevenly in different cases?—It would work out unevenly to the extent to which the original cost was affected by variation of market. A steamer at one time may cost £30,000, and at another time £33,000 or £34,000; but the difference is not very much.

2720. The probability is that in time of war the value of a good steamer would be greater than it had been six months before the outbreak?—Yes, no doubt. That is why I speak of additional cost. I do not think that additional cost should be brought in to the charge of the State.

2721. So that you would not fully cover the shipowner for the then value of his ship?—I would not cover him for any added value that was dependent on the immediate circumstances.

2722. Would you allow him to insure that additional value elsewhere?—Certainly; that is why I say it does not matter so long as you have a reasonable basis. If the man knows the amount to which he is protected he can cover himself as much more as he likes.

2723. Would you place any limit upon the rights of the shipowner to insure for additional sums beyond the indemnity?—No, neither shipowner nor cargo-owner.

2724. Then might not both ship and cargo be very grossly over insured?—I do not think that would concern the State at all as long as they had no part in the excess insurance.

2725. In that case you would make your risk a much more hazardous one?—By introduction of moral hazard, do you mean?

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2726. Yes?—I think the general knowledge is too accurate nowadays for that to be a real danger.

2727. You contemplate that the Government might dispute the claim?—The Government would not dispute the claim unless they could prove fraud.

2728. Yes, but they might suspect fraud without being able to prove it. Such things do occur?—They do. I do not see how you could proceed on a suspicion.

2729. But would you not be very much increasing your risk of fraud if you allowed this double insurance?—I do not think you would increase the risk. Business is too much done in the open nowadays. Men have their reputations and their characters to lose.

2730. But we have been told by witnesses that the most profitable venture that a shipowner makes is when he loses his ship?—That is a rather unkind thing to say. It is not universally true; it is sometimes.

2731. It is sometimes true?—Yes, sometimes.

2732. At any rate, the possibility of further insurance in addition to the Government indemnity would make it possible for a man to recover more than the value that he had at stake?—Yes.

2733. In case of war the riskiest undertakings would always be the ones which would bear the highest profit, would they not?—Generally. Not always, I should say.

2734. Generally speaking. Will not the temptation to select the riskiest undertakings be very large if they offer to a man at once the highest profit if he is successful, and the certainty that he will recover more than he has at stake if he loses?—I have considered that, and I think it is covered by the compliance with the instructions given by any duly authorised representative of the Government. I fully anticipate that instructions would be given that would meet that. At any rate, I think they should be.

2735. Instructions to prevent him taking any improper risk?—Any improper risk, yes.

2736. Would you contemplate that, under certain circumstances, for instance, the instructions should forbid a voyage to or from the Baltic?—Yes, should forbid certain zones of trade.

2737. May I ask your reason for proposing that no transfer of fresh ownership within a given time previous to the outbreak of war should be recognised?—That is to avoid the excess values occasioned by the prospect of war. A steamer that is valued at £20,000 might at once go up to £30,000. I do not think the enhanced value should be the basis of compensation.

2738. I gather that all you have said generally in regard to the ship applies to the cargo. You are not afraid of fraud, for instance, under the invoice clause?—I am not more afraid of fraud under that plan than under any other.

2739. It has been suggested to us that with no premium, and the loss being recovered on the invoice price, all the invoice prices would be very high?—Practically a man shipping wheat from Calcutta, or wheat from Bombay or Kurachee, could not put in a false invoice. We know perfectly well we have only to refer to the reports to see what the price of a particular grade of wheat was.

2740. Then you propose to allow the cargo owner his profit, to indemnify him for the loss of profit as well as for the loss of cargo?—I put that in on the general grounds that I wish to maintain the conditions that exist in time of peace. In the ordinary way insurances are done generally invoice cost and 10 per cent. That is a very usual thing, but I do not think that is important as long as you settle the basis. If you settle the basis simply on invoice cost he can insure the 10 per cent. or any other percentage he likes.

2741. If you indemnify the cargo owner for loss of profit ought you not to indemnify the ship owner for loss of profit?—I do not think so, because under ordinary conditions the shipowner would be insured on a certain value, and the cargo would be insured on another certain value, and I should keep them as far as I could on the same basis that they would be before the outbreak of war.

2742. And under ordinary circumstances the value for the ship would not include the profits the ship was making?—No, that would be separately insured as freight.

2743. Would you indemnify the shipowner for freight?—I have not brought that into consideration here at all. I think if you are giving such advantages of protection to the shipowner, you might leave him to look after his own freight.

2744. Under the heading of settlement of claims you point out that the constitution of the Board of Administration would be a matter of considerable difficulty. You say you have no doubt a satisfactory arrangement could be made, but that it is probably the most difficult detail in the scheme. Would you give me your idea of what would be a satisfactory Board of Administration?—I thought it was hardly my place to go further than this. I think it would mainly have to be constituted by underwriters, because I think they are about the only people that would understand the work that would come before them. There are very few people living at any time—I do not know that there are a dozen at any time that I should say were fully qualified to be entrusted with such an operation. I have no doubt you could get the services of such men, but they are all men of high position—men who have great responsibilities upon them, and their responsibilites would be very heavy in time of war.

2745. That is what I wish to ask you about. Do you think it would be possible to get those men. Could they spare the time, or could they be spared from their own business at such a moment of stress?—I should think it could be done on national grounds, on patriotic grounds. I should think if you could find 12 of them, two of them could give one day each week by arranging among themselves. You do not want a number of men to settle things of this sort; you want two or three at the outside. Of course, the Government would be represented, and there might be a third man. There is no necessity to have more. An occasional meeting of a fuller Board for cases of special difficulty might be held.

2746. Of course, you would want to have the meetings sufficiently often to keep their decisions in harmony and on the same lines?—Yes, but in the ordinary way they are meeting every day, and it is perfectly easy to interchange views.

2747. Then you take exception to the suggestion that the decision of the Board should be final as to the validity and amount of claims?—Yes, I do not think you should interfere with a man's rights, the same rights he would have under an insurance policy.

2748. Then you would allow an appeal to the Courts?—Yes.

2749. But you attach particular importance to seeing that the claim should be paid forthwith by the Treasury on certificates issued by the Board?—Yes. If the Board were satisfied they would issue a certificate; if they were not satisfied they would let the assured go to the Court.

2750. But if you allow an appeal to the assured, you must allow an appeal to the Government, too?—Certainly.

2751. Would not that militate a good deal against the prompt attention of claims?—No, it would put them on the same basis that they would be under an insurance policy. I think that is all that could be asked.

2752. If there were any dispute on either side the settlement of the claim would necessarily be hung up?—Certainly, as it is now.

2753. Would it not be better in a case of this kind, where it is suggested the Government should give an indemnity free, that there should be some sacrifice of the right of appeal in order to secure a speedier decision?—I do not think so, for this reason. The greater part of our trade is done through banks. The provisions suggested would not make a good document for a bank. You might go to this Board of Administration and be told you had no claim; you might proceed to the Court and be told you had no claim on the ordinary insurance. I do not think any bank would take that risk.

2754. If, as you suggest, the ship or cargo owner were allowed to insure elsewhere, would not his policy be to cover him against all risks for which Government did not cover him?—No, I do not think that is the way in which it would be done. The insurance would be done possibly with a remedy against the Government. But I have tried to bring the thing down to the conditions obtaining before the outbreak of war, and if you are going to introduce any scheme of this

sort, to do it on exactly the same lines as our present commercial documents. If you make any difference you at once introduce difficulties, and the difficulties of the finance, I think, would be found to be very great.

2755. (*Mr. Lindley.*) You do not mean the finance of the scheme?—No, the finance of the trade. The whole of the trade now, or nearly the whole of it, is financed, and you must not introduce anything that frightens the bankers. The scheme, no doubt, would be sent by the bankers to their lawyers for criticism, and the difficulty suggested would largely stop operations.

2756. (*Chairman.*) On the other hand, you would admit, I suppose, that there is a considerable difference between a free indemnity offered by Government and a contract of insurance such as is usually entered into between an underwriter and a shipowner?—I do not think there should be. I think they should be on the same footing as far as possible.

2757. Then I pass to the advantages that you anticipate from the scheme. The principle advantage is, I understand, that you would obtain your normal supplies of food and raw materials?—I do not say at all you would obtain your normal supplies, but I do think you would remove a hindrance to obtaining your supplies. I think you would have difficulty in any case over your supplies, and this, I think, would remove one great difficulty.

2758. The difficulty being the fear of shipowners about letting ships put to sea?—The difficulty largely would be the actual interference of the enemy's war ships.

2759. Quite so; but, of course, so far as that is the difficulty, Government indemnity will not remove it?—If there were no Government indemnity, then you would get the ships stopped.

2760. What do you think would happen to the ships under those circumstances? Do you think that owners would lay them up?—Unless they had protection in some form or another, and I think if we follow the report of the Admiralty manœuvres in 1906, the losses would be so heavy that no owner would venture to go to sea; he could not get his insurances effected.

2761. You think it would be impossible for him to insure by the ordinary means?—I think the probability is it would be impossible to insure, and then, of course, no owner dare go to sea.

2762. There never has been any difficulty about insurance hitherto, has there?—There was in the Russo-Japanese war, towards the end.

2763. That was a very limited difficulty, was it not? It was impossible to insure vessels to two blockaded ports?—Not two blockaded ports. But Vladivostock you might consider a blockaded port. Of course it was not technically blockaded.

2764. Port Arthur was in the hands of the Japanese, and Vladivostock was, if not technically, practically blockaded?—Yes.

2765. Is that comparable to anything you can imagine in a war in which we were engaged?—I think so. I think the effect of the losses, if the losses are anything like such as I have given, which is less than half the percentage of captures in the last manœuvres, would be to stop insurance. I think as an underwriter the figures of losses I have given here would definitely stop insurance; you would not be able to insure.

2766. Are those losses a higher proportion than took place in the Great French War that took place at the beginning of last century?—That I cannot say, but I have not paid very much attention to the figures that are given there, because I think the conditions of trade are so entirely altered they are not comparable.

2767. I am very much disposed to agree. I was only putting that question for this purpose, that as far as I know there was never any difficulty in insuring then?—Values were very much smaller.

2768. So, too, was the market, was it not?—Yes, I suppose it was.

2769. The insurance market has expanded in proportion?—No, I do not think it is proportionate. But I do not think the conditions are in any way comparable, and the figures that have been given want greater analysis before you can place any reliance upon them.

2770. Then your fear is that without some scheme of indemnity insurance would become impossible, and as insurance was impossible ships would be laid up?—Ships would be laid up and ships would be stopped. The ships that were homeward bound with cargoes would be stopped. If I had a ship at Malta I should stop her where she was in safety, or at Gibraltar, or at any safe neutral place.

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2771. The immediate result of such action on the part of shipowners would be a rise of prices here, of course?—Yes.

2772. That would mean that the successful prosecution of the undertaking would be very much more profitable than the undertakers had contemplated when they started on it?—The prices might go to such a point that it would be worth a man's while to risk it. It would have to go to a very high point for that.

2773. A 10 per cent. rise in prices would be a very strong inducement to the cargo owners, would it not?—Not to the shipowner.

2774. But the cargo owners would then proceed to see what inducement they could offer to the shipowner?—But if you have a cargo valued at £20,000, say a cargo of wheat, 10 per cent., or £2,000, is not very much.

2775. What is the ordinary profit on a cargo of wheat?—I do not know.

2776. It would be something less than 10 per cent., would it not?—I should imagine so, but I do not know.

2777. (*Mr. Gladstone.*) About one per cent?—Yes.

2778. (*Chairman.*) Then you must not look at it as £2,000; you must look at it as the opportunity of earning a profit ten times as great as he has set out to get?—The cargo owner would have to offer such an inducement to the shipowner as would induce him to come along. But no such sum as £2,000 or £3,000 would induce the owner of a steamer to proceed to a place of danger without insurance.

2779. I should have thought history rather went to show that there were always plenty of people to take any risk?—At a price.

2780. At a price?—Oh, yes, I quite agree, if prices rise to such a level as to tempt the owners to proceed uninsured, but I say that level is a very high one, nothing like 10 per cent.

2781. I pass to your reason D. You say the loss would be more equitably distributed?—Yes.

2782. At present it is divided per head of the section of the population requiring the property destroyed?—Yes.

2783. Under this scheme it would be spread over the whole population?—Yes.

2784. Applying that to articles of luxury, shall I say ostrich feathers, is that a more equitable distribution of the losses?—It would depend upon how the taxes were arranged.

2785-6. Yes, but when you get to an article of luxury is there any reason why the general public should be called in to share the loss?—If you can discriminate without undue complication, without destroying the value of any scheme or interfering with the value of any scheme by such complication as to destroy the value of it, I see no reason why you should not discriminate.

2787. You see no reason why it should not be eliminated?—No. I think you would find it is not worth the complication and trouble; that is all.

2788. You would therefore be inclined to include everything in the scheme?—Yes, to make it as simple as possible.

2789. Bullion?—Yes.

2790. Bonds?—Certainly. I look upon bullion and bonds as much greater necessities than ostrich feathers.

2791. Then you say another advantage would be the continued employment of our mercantile marine. Perhaps that rather brings me back to the point I was on before. Is there really any ground for supposing that our mercantile marine, or any large portion of it, would be laid up for any length of time?—Yes, I think so.

2792. Must not that have the effect at once of increasing prices so largely, not merely here but in other markets, as to tempt the ships out again?—I

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think that is possible, but the price would have to be very high to do it.

2793. Probably in any war a very large part of our trade would be comparatively little exposed to risk?—I should say so.

2794. That would easily be covered in the ordinary insurance market?—Not easily, if the market had the shock of the losses elsewhere. A great many underwriters would simply refuse to touch war risks, irrespective of the place.

2795. Do you think that insurance on transatlantic voyages would be affected by pressure in the Mediterranean?—Yes, they would. Of course, there are a great many more underwriters than the men who actually transact the business, and I think a great many would have instructions that they were not to take war risks of any kind at any price.

2796. But you do not yourself think that the risks would be very great, say we were engaged in a European war, on cargoes coming from Canada or South America?—They would not be so great. But it would be very difficult to say. If you had a few cruisers off the west coast of Ireland it would introduce considerable danger.

2797. They could not remain there for long, could they?—Well, of course there are methods of coaling at sea now.

2798. Then as regards (f), you say that "discrimination against the British flag in favour of neutrals would be prevented." What is the extent of that discrimination? Wherein does it consist?—If we were at war and there were no scheme of indemnity, and you had to depend upon the ordinary insurance, the insurance under the British flag would be heavier than under a neutral flag.

2799. Although the only protection that our goods would have under the neutral flag would be the observance of the Treaties and Agreements which you advise us not to rely on?—I was thinking about imports to other countries, not to Great Britain. Such a very great percentage of the trade of the whole world is under the British flag, and from a neutral port to a neutral port under a British flag would be very much more costly to insure than under a neutral flag. I think it would act as a very heavy discrimination against us.

2800. But is there shipping in the world to take the place of the British mercantile marine if it was displaced by that risk?—I cannot say. You would probably release for the neutral trade the foreign shipping employed in our own trade, which is very large. That would be a rather difficult calculation to work out, and it would need a great deal of consideration to see how that could be done.

2801. Some of the witnesses who have come before us have suggested that the principal lesson to be gained from the Russo-Japanese war is that a neutral flag is no better than a belligerent?—That is a very common opinion.

2802. In that case the existing discrimination in favour of the neutral is not so much to be feared?—No, but that is in the employment of one of the belligerents. There is an enormous mass of our trade under our flag from neutral port to neutral port. It is there where the heaviest weight of the discrimination would fall.

2803. You say a little further down, that after all, the most important consideration is the strain that would be put upon the masses of the population by any abnormal rise in prices or scarcity of necessaries?—Yes.

2804. The prevention of such a rise or scarcity, of course, depends not on shipowners and cargo owners being indemnified from loss, but on successful arrival of the goods, does it not?—But you are assisting the successful arrival here. You cannot create another single cargo by any scheme you make, but you are removing hindrances to our obtaining the proportion we want of the cargoes that are available.

2805. Is it more than this, that you are helping to tempt them out, but you are not securing their safe arrival. You are not adding to the chance of the safe arrival?—You are not adding to the chance of the safe arrival, I quite agree, but there are many more that are making the attempt to come.

2806. And your belief is that, as a matter of fact they would not make the attempt without some such scheme?—That is my belief.

2807. I have read with great interest the figures as to cost you have been good enough to put before us. I think, as you yourself say, you feel that they are very speculative?—As to bringing down the cost on to any two weeks, I quite agree they are very speculative in that respect.

2808. And that, after all, the data on which you have to go for any speculation are very uncertain?—The data are certain.

2809. You have to settle in your own mind what proportion of loss there is likely to be?—For that I go to the report of the Admiralty manœuvres in 1906.

2810. Yes. At the same time, you are not prepared to take that proportion of loss as being the correct one?—No, because the Admiralty give you distinct notice that that is not the proper proportion.

2811. Quite so, but how much you shall abate that ratio of loss to arrive at the fair proportion is a matter on which you have formed the best opinion you can?—The Report gives a very good lead, saying that the intention was to send ships in convoys of twelve. They were sent in convoys of four. The four were captured, but if they had gone in convoys of twelve four would have been captured but the other eight would have got away, which is an indication, so far as the report gives an indication, that the enemy would capture about one-third, and I have allowed a margin on that.

2812. Your calculation only covers the first two weeks of war?—That is for the same reason, that the report of the manœuvres states that at the commencement of the third week we should have had all the enemy's cruisers either destroyed or hunted back into the shelter of their own ports.

2813. You think that practically after the first two weeks, basing yourself on that, the losses would be a negligible quantity?—A negligible quantity—that is to say, by giving two full weeks, the lessening that there should be towards the end of the second week, as our cruisers began to get power, would cover the value of the isolated cases of loss that would occur later.

2814. Of course, that was scarcely our experience in the great French war?—There, again, I think the conditions are so different.

2815. There is one calculation that I am afraid I have not quite understood. I do not quite understand why on page 3, where you are considering British steamers and their cargoes bound to Continental destinations, you take 30 per cent. of £6,958,698. I think I follow your 30 per cent., but why is it 30 per cent. of that £6,958,000?—That is the amount taken for two weeks of the capture of our home trade. You see a little higher up on page 3 I say two weeks at 50 per cent. Two weeks at 50 per cent. makes the same total as one week at 100 per cent., and 25 per cent., on the basis of the Admiralty Manœuvres Report, is the percentage I have taken for the actual capture. Then, in considering (a) to (e) in paragraph 2, I came to the conclusion that 25 per cent. of that amount was not sufficient, and 35 per cent. was too much, and therefore I took the mean of 30 per cent. The amount at risk of our trade to Continental destinations must be very much less than the value of our trade to home ports. That is where that amount of £6,958,000 comes from.

2816. But I understood you to mean that 30 per cent. of this foreign trade you thought might be seized?—Not 30 per cent. of the foreign trade, but the foreign trade lost by capture I estimate would be 30 per cent. of the £6,958,000, the value of the British trade captured. That was formed simply on the general considerations (a) to (e). I then set to work to see if it could be proved. I could not see at first how this could be done. That is why I have given another estimate, the justification of that 30 per cent. I get that on the basis of our ballast entries, working back.

2817. But you have first taken, as I understand, 25 per cent. of the whole trade; that is £6,958,000?—Yes.

2818. That £6,958,000 is 25 per cent. of the whole trade, is it not?—The weekly amount at risk is £27,834,000, and 25 per cent. of that is £6,958,000.

2819. Yes, and that represents the probable captures on the whole of the trade?—On the whole of the trade to and from the United Kingdom.

2820. But then you take 30 per cent. of that loss as being the loss on cargoes between neutral ports?—Bound to Continental destination; largely from neutral ports.

2821. But should it not be 30 per cent. of the trade passing between those neutral ports?—No. I think that is proved by the justification of that estimate. We only take 25 per cent. of our own trade.

2822. I do not understand. What is the connection between the losses you may expect on the trade coming to and leaving home ports and the losses on the trade passing between two Continental ports?—It was very difficult to find any way of dealing with that, and it was on the general impression that one had from one's knowledge of the movements of trade, considering (a) to (e), that I came to the conclusion that 30 per cent. would be about the amount. Later I have proved that by working backwards from the ballast entries of ships arriving in our country from Continental ports, and that is fully worked out in this justification which follows. I bring my total there to £1,836,000. Some allowance has to be made in addition for values of cargoes loaded outward from Continental ports, and the steamers, so that I think the value of £2,087,000 is about the nearest estimate you could get.

2823. But there is nothing more than an accidental relation between the loss on the home trade and the loss on the trade passing between Continental ports?—It was perfectly speculative, but on consideration of (a) to (e) I came to the conclusion that 30 per cent. was the nearest even percentage I could get.

2824. But why did you state the loss on the foreign trade as a percentage of the loss on the home trade. The loss on the home trade you state as a percentage on the whole home trade?—Yes.

2825. Why did you not state the loss on the foreign trade as a percentage of the whole foreign trade?—I had no means then of getting at the percentage of the foreign trade. I have since arrived at a justification by working back from the ballast entries.

2826. (*Sir George Murray.*) I should like to go back to the question on which you have already touched, of whether the indemnity should cover neutral cargoes conveyed between neutral ports in British ships. You are in favour of extending it to that?—I think so, on the ground of simplicity and greater power of the scheme.

2827. That, of course, would be a measure purely in the interest of the British shipowner. The community at large would have a very indirect interest in that part of the question?—It would be, I take it, chiefly in the interests of the shipowners getting the employment, but I think the community has a very great interest in keeping our shipping population employed.

2828. It has a less direct interest than it has in cargoes consigned to British ports or exported from British ports?—Yes.

2829. A very much less direct interest?—Certainly.

2830. Do you think that a scheme conceived so entirely in the interests of one industry could be justified?—I think that is only a small section of the scheme. I think the difference in the amount would be found to be so small that it would be a pity to restrict the scheme at all.

2831. It looks as if it would be rather a large item according to your subsequent calculations?—Which calculation do you refer to?

2832. The amount of trade which you calculate as being carried in British vessels between neutral ports. It is £2,000,000 a week, is it not?—The value of the steamers and their cargoes bound to foreign ports?

2833. Yes?—That is £2,000,000 for the two weeks. That is what I calculate. You are speaking of the loss, are you not?

2834. Yes?—The loss is £2,000,000.

2835. But still you think it would not be worth spoiling the scheme on that account?—I do not think so. If we are ever unfortunately engaged in a European war the amounts involved are so huge that anything like £2,000,000 is not worth spoiling a good scheme for. And it would spoil the scheme. It would dislocate the arrangements a good deal. It would dislocate the employment of British shipping in your own home trade and elsewhere. It would create a good deal of difficulty.

2836. Would you expect the extra insurance on neutral goods in British vessels under those circumstances to be substantially higher than in neutral vessels?—If there were no scheme?

2837. Yes?—Certainly; much higher.

2838. Very much?—I should think so.

2839. That looks as if the Declaration of Paris were not of very much value?—I do not think it is of any value. I have stated that I pay no attention to that at all.

2838. Very much?—I should think so.
be adhered to?—It would not be adhered to, as I believe.

2841. Then, as regards the insurance over and above the indemnity, to whatever extent that goes on the main object of the indemnity would be defeated, would it not?—I think you would have to allow some such scheme as that, because any reasonable value that you fix upon beforehand could not cover the requirements of every case. I think there would be cases of real injustice if you limited it to the amount of the indemnity, and I do not see any real reason in practice why it should be limited.

2842. Except that you would have all the disturbing influence of rising rates of insurance, and so forth, which is, after all, one of the main things that the indemnity is intended to prevent?—I think, if I may say so, one of the main objects I had in view there was the removal of restraints and restrictions on the supplies of foodstuffs.

2843. (*Sir George Clarke.*) I think you said you consider a scheme of national indemnity would be desirable, but you have told us practically that, if nothing of this kind is done by the State, our shipping would all be laid up, and there would be no insurance at all; so may I say that you regard such a scheme as essential?—Yes, and I have said that I consider the Government would be forced.

2844. Yes. Then you say the Government would be forced to it sooner or later, but is it not sooner rather than later?—No, I think it is rather later. The pressure would come after the losses. I think the necessity to bring forward such a scheme would come after the effect of the losses of the first two weeks.

2845. Then you think the losses of the first two weeks would be covered by the ordinary methods of the underwriting market?—If there were no scheme they probably would be, and it is the later supplies that would be interfered with and stopped.

2846. I suppose you expect there would be a general rise in freights in time of war?—There always has been. I have no doubt there would be.

2847. And I think you have told us that neutrals would probably have to pay war insurance rates themselves, judging from the experience of the Russo-Japanese war?—To this country?

2848. To any country?—No, I do not suppose neutrals would, between neutral ports.

2849. No, but neutrals going to our ports?—To our ports, certainly.

2850. Therefore, neutrals dealing with any belligerent ports, and possibly with any other ports (because you have said we must not regard Treaties as sacred things), would have to pay war insurance rates?—Certainly, bound to any belligerent ports.

2851. Then you expect a rise in market prices in war time?—No doubt.

2852. And no doubt our Government would have to employ a large number of ships for transport purposes?—Yes.

2853. Then, if there is a complete indemnity for the ship and cargo owner, is not he placed rather in a better position in time of war than he would be in time of peace?—I do not see that he is placed in a better position. I have no intention of putting him in a better position.

2854. Everything is in his favour except capture. If you remove all risks of capture from him it seems to me he is in a better position than he was before?—I take it that there are a great many trades that would be benefited in the event of war by the rise of prices. You could not help it. A shipowner, if he were free to employ his shipping in any way, would no doubt get the advantage of the higher freights.

2855. Taking all those points into consideration, do you not think it would be a fair criticism against Scheme A that it put the shipowner and cargo owner in an exceedingly privileged position?—I should not admit it was an exceedingly privileged position. It

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is done for the national benefit, and in carrying out a scheme for the national benefit you cannot help benefiting a particular class. No doubt by the scheme of indemnity you do benefit shipowners and cargo-owners, but you cannot help it. You do not do it for that purpose. That is incidental.

2856. And I think you lay stress on the point that the State should make good to shippers profits as well as actual loss of cargo?—I have laid no stress upon that. I have said that the basis does not matter as long as it is a settled basis.

2857. You also laid stress on the power of instituting law actions against the Crown?—Yes, I did that for banking purposes.

2858. And you think that if that was admitted one of the objections to a State guarantee would disappear?—I do not feel any objection to a State guarantee; I advocate a State guarantee.

2859. You approve of that power of appeal?—Yes.

2860. To some minds it has appeared objectionable that there should be a decision from which there would be no appeal. Do you think it a point that we should consider?—Yes, I think it is. I think it would be a great hindrance to a scheme to make the decision of the Board of Administration final.

2861. It would make it more palatable generally to business men if there was a Court of Appeal?—An appeal to the Courts.

2862. In the calculations that you have made as to possible losses, which you based upon the experiences of the manœuvres, had you any particular war or any particular enemy in your mind, because, of course, that would affect the amount of capture very much?—Yes, I had. I was considering Germany.

2863. Germany alone?—Germany alone.

2864. In that case, do you not think your percentage of capture is high?—Not looking forward, I think, to the time when they are ready for war.

2865. You are putting it some years ahead?—Yes.

2866. Of course, you see that any argument based on those manœuvres would involve the assumption that the enemy was able to act in as great strength relatively to our fleet as our Blue Fleet?—Yes.

2867. As regards Scheme B, which you have made some remarks upon, I see you say: "Apparently it is intended that the State policies shall be issued in time of peace. In practice this would probably mean that the scheme would remain a dead letter until there was serious apprehension of war." That, no doubt, is so, because I suppose in peace time war insurances are taken at a very low rate?—Yes, at a nominal rate.

2868. What is the objection, then, to the scheme remaining a dead letter until there is a serious apprehension of war?—I do not know whether I misunderstood the scheme, but I understood part of the scheme was that it was to come into operation in peace time. I see no reason why it should not remain a dead letter in time of peace.

2869. And if it was there in time of peace, and simply remained a dead letter, but available for anybody, it would be resorted to only, I suppose, when a scare of war became rather acute?—Yes.

2870. Would not that be a good thing?—My main objection is in the second paragraph: "No indication is given of the system on which the premiums are to be fixed."

2871. Supposing a premium were based upon an assumption pretty much like yours, of the number of captures over a certain time, and that it was varied according to the voyages—a very rough method, I admit—and we arrived at certain fixed rates, which, if the captures were spread over the war would fairly come near to a balance; supposing something of that kind were arrived at, dealing with the war as a whole, and the rates were fixed in time of peace for certain sections of the world, certain voyages, so that everybody knew at all times, if war broke out, or if he thought war would break out, he could come and take out these policies at once, would you say what were the inherent objections to that?—Well, it would be simply used by the assured, or the people who desired to be the assured, for the zones where they would be favoured by the premium. That is to say, if there were a danger zone with a premium of 5 guineas, and the scheme premium was fixed at 2 per cent., of course the Government would get all the insurances for that zone, and you could not fix the zone from day to day.

2872. No, not at all; it could not be varied from day to day?—It could not be varied from day to day, but your zones do vary from day to day. So that the premium which may be fixed at 2 per cent. to-day may be worth 8 per cent. to-morrow, and the next day may be down to 1 per cent.

2873. Do you see any particular objection to that?—I do not see how it secures the benefits at all. The insurances would still have to go on, except in cases where the people who desired to be assured could find a cheaper market with the Government, which I think is most objectionable.

2874. I do not quite see why. They are perfectly free to do which they like. The State says: For national purposes we will give you a certain rate; you can take it if you like, but you may do better?—Then the State would only get the risks where the market valuation of the risks was in excess of the premiums demanded by the State.

2875. Exactly. Under Scheme A the State gets the whole of all risks without any refund of any kind; still it is more equitable for the State to get something than to have all the liability and get nothing?—No. I cannot see that, because the insurance is only a method of distribution. An insurance does not vary the loss in any way. The actual loss to the community exists and has got to be made good. Insurance is only distribution. If you distribute that through the taxes you come back on to your units of the community.

2876. Yes, but from the point of view of the Treasury and the taxation of the country, surely it is a different thing whether you are going to get some recoupment, or whether you are going to bear the whole loss without any?—But there must be a sense of proportion in it, and there cannot be any proper proportion with a premium fixed before the event.

2877. Then you have rather told us that certain heavy captures in the earliest period of the war would necessitate very high and quite exorbitant rates at later stages. Is that equitable?—That you cannot control, except by such a scheme as a scheme of indemnity.

2878. My point is that the insurance rate at any time is fixed, as you have admitted, by what has happened before. Therefore, a zone which has been raided may become hazardous, from the underwriter's point of view, though it may be perfectly safe. Therefore, there is no relation between the risk that at any moment may be charged to the shipowner and the actual risk in any part of the world?—I do not think I could go as far as that.

2879. But nearly as far. You have said that the high percentage of captures at the early part of a war, though they might not be followed by many captures afterwards, would certainly influence the later rates?—But I have explained that I think the number of underwriters would be very limited who would take any war risks at all. I think you would find it would be impossible to do the insurances. It would not be a question of rate.

2880. It is from that point of view, if the underwriters are going to disappear, that a State rate, even if it was not more scientifically fixed than the underwriter would fix it, would be a certain gain. The ship and cargo-owners would, at all events, have something they could do, and there would be a certain sum that they knew they would have to pay, and therefore their business would not be disturbed?—I think you would find the machinery of it would be almost impossible.

2881. Your main objection to Scheme B is that you do not think it is an equitable distribution of loss?—I do not think it is an equitable distribution of loss, and I think the mechanism of the working of it would be very difficult.

2882. Would not the mechanism be exceedingly simple if you accepted the principle of rates fixed now in time of peace?—I cannot see the equity of that.

2883. Putting aside the equity, the machinery would simplify itself if that could be done?—It would be perfectly mechanical if you had certain zones at certain prices.

2884. All the difficulty of the machinery would disappear. Then we come back to your main objection to any form of Scheme B which is that the distribution of the losses among the people of this country is not equitable?—That is one objection.

2885. But that is the main objection, is it not?—No, I do not know how you are going to start on the basis of premiums. That is why I say I want to know the system on which that is done before I can criticise it.

2886. Of course, as we see, there can be no absolute fixing of ether the underwrters' rates or the State's rates. They must be rather guesses?—Yes, but n the case of the State rate you practically fix it for a long period. You cannot alter that quickly.

2887. We should not be able to alter that at all. However, your main objection is that you do not think it is equitable?—I do not think it is equitable.

2888. (*Mr. Beauchamp.*) You consider that the owner of any cargo carried in any British ship ought to be indemnified?—Yes.

2889. But if the ship is captured neutral cargo is not liable to capture, and cannot be condemned, but the cargo is left at a distant port, and the expense of sending it forward to its destination would be very great. Would you suggest in that case the State should pay the expense of getting that cargo to its market?—As soon as it is captured it is a loss, if the necessary measures are taken.

2890. But it is not a loss; it is not condemned in any prize court?—But it is captured; it is a loss under the clause.

2891. A loss under what clause?—Under Clause 2.

2892. And you think that the State ought to pay for that?—Yes.

2893. Although the cargo is in existence?—The cargo would then become the property of the State. There would be a salvage on it.

2894. You think that that ought to be done, and that it should not be limited simply to that which is really liable to capture and condemnation?—I think so, unless you can make sure that the Treaty of Paris is going to be observed.

2895. But I am assuming that the Treaty of Paris is observed?—I am assuming that it will not be observed.

2896. But, in any case, what does it matter. Are you referring to neutral cargo in a belligerent ship?—Yes.

2897. You think it would be captured and condemned?—I think it would be captured and very likely condemned.

2898. Then would you not say it would be covered by the words "liable to capture"?—No; it might be illegal. We have had plenty of those cases of illegal captures.

2899. Then I come to the question of the Board of Claims. You think, in the first instance, it would be a little bit difficult; but assuming you could get a satisfactory Board to consider the validity and the amount of the claim, you do not think that their decision ought to be final?—No.

2900. And that there ought to be liberty for it to be carried up to a court of law?—In case of need, yes.

2901. Although this is a gratuitous thing, the indemnity is gratuitous, it is something given without any payment of any kind. Under those circumstances ought not the State to be allowed to regulate the terms upon which it gives it?—I do not think so. I think you would find the bankers would refuse the guarantee. You would spoil the scheme. Of course, I am not a lawyer, but I do not think any lawyer would advise a bank that they could safely take the risk on those terms.

2902. But if the beneficiary had a right of appeal the Government would also have a right of appeal. Therefore, would not that rather operate to produce delays in the payment of these claims?—Only in doubtful cases. Any clear case, of course, would be settled at once. There would be no dispute at all; but in doubtful cases I think emphatically there ought to be the right of appeal to the courts.

2903. You think that both parties ought to have the right of appeal?—Yes.

2903*. (*Sir George Murray.*) I did not quite catch what you thought the bankers would object to?—To a guarantee that makes the decision of a Board final.

2904. Why should they object to that decision rather than a decision of the court?—Because, in a doubtful case, the Board might give the decision in their own favour, on the ground that they honestly thought it was a claim under the ordinary insurance. The ordinary insurance may be taken into court. The court might hold on legal grounds that there was no claim. There would be no power to take the indemnity to the same tribunal as the ordinary insurance.

2904*. (*Mr. Beauchamp.*) No, but if they paid, the Government would have the rights of the assured subrogated to them?—Yes, if they paid.

2905. Under any circumstances?—Yes.

2906. They would be able to take it to the court to decide whether the loss was a marine loss or not?—But that involves payment on the part of the Government, and I say that the Government, quite rightly, ought to have the right of saying they are not liable.

2907. Then do you not think that that would be liable to produce delays?—Only in disputed cases.

2908. There must be a certain number of cases where there would be a dispute?—They would arise under any system of insurance, and I do not think you ought to make any improvement on the ordinary conditions. I am trying to keep this on the same conditions as they would be in the ordinary commercial operations.

2909. Then, on page 5, you speak about the better distribution of the loss. In what sense would it be better distributed than by its being borne by the section of the population requiring that particular kind of property?—If you double the price of bread, the poor man has to bear it in exactly the same way as the rich man. They both have to pay a higher price for the loaves they use.

2910. Yes, but there is not only bread, but other things?—I only instance that, but it would apply to all the necessities and comforts of life in the same way.

2911. Yes, as long as you limit it to necessities, but when you get into the question of luxuries the same thing does not apply?—Then that would be the affair of the Government, to take care that the distribution was equitable.

2912. But how could they arrange for that?—In the the same way, I suppose, as the Chancellor of the Exchequer arranges for the taxation nowadays.

2913. By means of taxation, you mean?—By means of taxation.

2914. Greater taxation on luxuries?—Yes.

2915. Then one object you have in view with regard to this indemnity is to prevent any interference with the full working of our mercantile marine, because such interference would involve a serious dislocation of industry. Would not that argument apply in equal force to all work stopped in consequence of the war. It is to prevent people being thrown out of employment to a certain extent?—Yes.

2916. If you have a scheme of this kind to compensate people for being thrown out of employment, would that not apply with equal force to all cases where people are thrown out of employment in consequence of the stoppage of their work by means of war?—Not with equal force, I think, because this goes back to an original cause for stoppage. If you cannot bring in your raw materials, you cannot keep your mills at work, and this is to assist anything of that sort. That is only one of the subsidiary advantages. The main advantage is the one I have given under Clause C, to bring in the supplies, and, incidentally, you do other things. As I said just now, you benefit shipowners and cargo-owners, but you cannot help that

2917. You rather lay stress on that?—Yes. I do not say that the full working of our mercantile marine, and all that follows from it, is the most important, but I think that is one of the more important operations.

2918. Then you say that unless some scheme of this kind is introduced certain hurried measures would have to be taken to meet a great emergency?—Yes.

2919 What measures do you contemplate?—A hurried measure of indemnity in some form, or bonus. You would have to get commodities in. You would have to compensate both cargo owner and shipowner to such an extent that they would come in. That might take the form of indemnity, it might take the form of a money payment, but you would have to get the commodities here at all hazards.

2920. That is assuming there is a serious break in the continuity of our supplies?—Yes.

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2921. Then we come to the estimated cost to the country under this scheme, and you assume that we shall suffer two full weeks of the maximum rate of capture before we gain complete mastery of the sea. Do you assume that these captures would be practically limited to the first two weeks?—I am going on the report of the Naval Manœuvres.

2922. You are assuming that?—I am assuming that.

2923. Then the cost to the State would be roughly 10½ millions?—Yes.

2924. That would be the whole cost of the whole of the war?—Yes.

2925. And after two weeks captures would practically cease?—Yes. I proceed on that assumption.

2926. Then the danger period would be limited to those first two weeks?—No, the danger period is subsequent. It is the effect of the losses of those two weeks that I fear.

2927. But if there were no captures after the first two weeks the insurance world would soon settle down?—It would settle down after some time, but it is that interval I am afraid of.

2928. How long do you estimate it would be?—I cannot say. I think it would be a considerable time.

2929. If it were generally known that we had obtained complete mastery of the sea, do you not think that the insurance world would quickly be reassured?—No, not quickly, after such losses as these.

2930. If the danger were to cease at the end of two weeks, do you consider it would be necessary or wise to elaborate a scheme of this kind when at the end of a few weeks things would come into the country just as easily, or almost as easily, as they did before?—I do not think they would. I think it is necessary to have a scheme of this sort, or desirable at any rate. I think it is necessary. I do not think you would get them to come in, because although the captures might cease at the end of the two weeks, as anticipated by the Admiralty, the effect of that would not pass.

2931. But it would not take very long, would it, before it did pass?—I think it would take some considerable time.

2932. What time do you anticipate?—I have not given any thought to that, but I think it would be a considerable time.

2933. (*Mr. Lindley.*) I gather you are practically in accord with Scheme A, except in one or two small details. One of these is the question of notice to be given by the shipowner. I should like to know what your reason for not wanting the shipowner to give notice is?—I want to avoid every complication that I can. I do not see the necessity of it.

2934. Supposing no notice is given, how is it possible for him to be under complete control of the Admiralty?—The Admiralty would give public notice.

2935. Yes, but that I take it would only be general, and there would be sometimes special instructions required, would there not?—The public notice could be given through every shipping office in the kingdom.

2936. You do not think it would be necessary to have any private communications with any of the shipowners?—I do not think it would be necessary, but that is a detail that I do not lay any stress on.

2937. I was merely asking because I did not quite understand. With regard to the question of the values, have you any special preference with regard to the value for the cargo, for instance?—No.

2938. I mean you mention three different ways of arriving at the value here: invoice, cost, freight and marine insurance, plus profit, market price at port of origin, or port of destination. If you take the market price at the port of destination, that undoubtedly includes profit, does it not?—I think that is the least desirable one, because that would deal with a fictitious value.

2939. That is what is avoided in the suggested method of arriving at it in Scheme A?—Yes.

2940. Then you do not mention freight at all. That is mentioned in Scheme A. You see under clause (b) it is "the value of the cargo at port of shipment plus insurance and freight to port of destination"?—Does that mean freight payable in advance?

2941. If it is not payable in advance it is payable to the shipowner. Is there any objection to the shipowner being covered for his freight?—I do not see any special advantage. I think the shipowner gets such advantages under the scheme that I should not carry it any further; that is all. I see no objection in principle.

2942. Then with regard to the question of your estimate of the losses, I gather that you consider the weekly trade with the United Kingdom amounts to about £27,000,000, and that the Continental trade would be about 30 per cent. of that. Is that right?—That is not quite right. The 30 per cent. is the 30 per cent. of the loss.

2943. Are not you allowing the same percentage of loss, in getting at the £2,000,000 you mention subsequently, as you have on the home trade, that is 25 per cent.?—I do not think so, but is there any point on that, because it is rather an elaborate calculation to go through?

2944. I mean that is what struck me. I was looking at the figures that the Chairman mentioned. I was trying to get at the comparative figures?—You have only one coast line, and you must for the greater number of continental destinations be more limited to danger zones for any European enemy; therefore I have doubled the capture rate for the continental destinations.

2945. That means that instead of being 30 per cent. of the value it would be 15 per cent?—I am not quite sure. I should like to work that out.

2946. It looks like that on the paper?—No, because I have given 30 per cent. of the loss, not 30 per cent. of the trade.

2947. (*Captain Ottley.*) I should like to ask one question with regard to your views on Scheme A. I think you clearly prefer Scheme A to Scheme B?—Yes.

2948. But in answer to Sir George Clarke you admitted that there is an objection to Scheme B, although you do not think it is a serious objection, from the fact that it discriminates in favour of one particular British industry at a time when the whole of the British community would be feeling the results of a war, that is to say, that the British shipowner would be indemnified against all losses, whereas the rest of us who are not shipowners would not be indemnified to the same extent?—Yes, the shipowner has an advantage, but you cannot help it. It is not done for that purpose.

2949. Do you think it would be possible to in any way remove what might be an objection from the point of view of the House of Commons to Scheme A by suggesting that we might charge either registration fees or stamps on bills of lading, on tonnage dues, or even in the last resort a small tax, so as to build up a fund out of which these sums of indemnity should be paid?—I have not considered that. Without consideration I should say I see no objection. The scheme might have to be manipulated in order to get it through the House of Commons. That might be the price that would have to be paid for it. But I do not think it is important.

2950. Then with regard to the war premiums to be paid by neutral ships in a war in which Great Britain was a belligerent, I quite understand that neutral ships plying between neutral ports would, you think, not have to pay war premiums at all?—I do not think so.

2951. But you think that neutral ships plying to British ports would have to pay war premiums?—That is so.

2952. Do you think that neutral ships plying to British ports woud pay the same war premiums as British ships plying to British ports?—It is very difficult to say. That is the experience of the late war, I think. The premiums would be much more equal than they would have been before that experience. But until we came to the actual operations we could not say how it would work out.

2953. But I suppose you would agree that the late war presented certain rather exceptional features, that is to say, that the mercantile marine of Russia was comparatively small, and a very large number of the Russian ships were taken up to act as fleet auxiliaries?—Yes.

2954. And therefore if Russia was to get anything at all into her ports it would have to come in neutral bottoms?—Yes.

2955. Therefore it was natural that Japan should eye with suspicion, perhaps, any neutral?—Quite natural.

2956. And perhaps act with rather more severity against neutrals than would be likely to happen in any future war?—But I think underwriters would take the view that it would be likely to happen again.

2957. You would go by experience. Then, with regard to the value of a ship on the outbreak of war, in answer to the Chairman, you said you thought it was very likely that after the outbreak of war the value of the ship would be enhanced?—Yes.

2958. I was going to ask you, apropos of that, whether that would be true in all cases. Would that always be so? Put the case of Great Britain, the greatest of naval Powers, at war with some Power not strong at sea, how would the fact of British victories affect the value of our enemy's mercantile marine?—I think the effect of any war would be to increase the freights, to harden the freight market. If the freight market was hardened the value of steamers would rise.

2959. Notwithstanding the fact that in this particular instance those ships could hardly sail to sea?—I think so. I think that would be an effect that you might rely upon, the value of shipping would go up on the outbreak of war. You might have a condition that would vary or stop that a little later on, but I think at the time, the effect would be that the value of shipping would go up.

2960. But as the war went on and it became increasingly evident that the weaker of the two belligerents at sea could not sail the sea, would not that bring down the value of his ships?—I do not think so, because there is so much more employment for shipping in time of war. There is so much shipping, as the Chairman says, that would be taken up for Government uses. It limits the rest, and gives such an amount of employment that I think you will find freights would harden and the value of ships would rise on the outbreak of any war.

2961. (*Chairman.*) Your real fear is, I gather, that shortly after the outbreak of war shipping would be laid up?—And would be stopped at various ports.

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2962. That is a very expensive course for the shipowners to take, is it not?—Not in a home port.

2963. In some of the instances you were giving me he would have been away from home?—Yes, that is expensive.

2964. Then all his charges would be running?—Not all, but it would be an expensive operation.

2965. Even in a home port, apart from loss of profit, there would be a good deal of charge, I suppose?—No, not much; two men.

2966. (*Mr. Lindley.*) Two men, do you say?—One to turn the engines and one watchman.

2967. (*Chairman.*) Is not there a considerable loss from depreciation if a ship be laid up?—Yes, there is a loss in a way, but it is not very important. All your steam connections get very dry, and packing has to be renewed, and things of that sort; but it is not important.

2968. To induce the shipowner to put to sea you would have the better freight market of which you spoke in your reply to Captain Ottley in the first instance, the high prices of commodities which would enable them to bear higher freight; and, lastly, the charges to which he would be put if he laid his ship up?—Yes.

2969. The dead loss that he would incur by so doing?—Yes.

2970. Do you still think that many ships would remain laid up or stopped in port?—Certainly you could not risk the loss of your ship. Most ships now are owned either as private companies or as units in a larger company, a more or less private company, and no manager could face his shareholders and report the loss of a ship uninsured when he had had the opportunity of keeping her in safety.

FOURTEENTH DAY.

Tuesday, 28th May 1907.

PRESENT:

The Right Hon. Austen Chamberlain, M.P. (*Chairman*).

Sir Thomas Glen-Coats, Bart., M.P.
Sir James L. Mackay, G.C.M.G., K.C.I.E.
Sir George Sydenham Clarke, G.C.M.G.,
Sir George H. Murray, K.C.B.
Mr. H. Llewellyn Smith, C.B.
Captain C. L. Ottley, R.N., M.V.O.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Frederick Huth Jackson.
Mr. George H. Duckworth (*Secretary*).

Sir Robert Giffen, K.C.B., F.R.S., called and examined.

Sir Robert Giffen, in a preliminary memorandum,* had submitted:—

(1) That the value of British trade and shipping exposed to risk of capture in any one year may be put at not less than £2,000,000,000, the items being:—

	Millions. £
(a) Imports and exports	1,069
(b) Transhipment trade	29
(c) Bullion and specie	125
(d) Coasting trade	100
(e) Sea fisheries	12
(f) Diamonds	10
(g) Value of ships belonging to U.K.	212
(h) Cargoes in British ships trading abroad	600
	2,157

(2) That a universal indemnity against capture would mean £20,000,000, allowing only for 1 per cent. of captures, and would have to be paid at a time when the country would necessarily be subject to heavy taxation and while heavy losses in other directions were being incurred.

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(3) That it is impossible to contemplate a serious war without the added danger of financial panic, leading, as in other times of stress, to large gold withdrawals from London.

(4) That an indemnity in certain cases and on strict conditions would be open to fewer objections than a universal indemnity, which should not be lightly offered.

(5) That strict obedience to Admiralty instructions would be an essential condition.

(6) That persons wishing to be indemnified should contribute towards the cost of indemnity on the ground that they are in receipt of a special advantage as compared with the rest of the community, and also as a restraint on unreasonable ventures.

(7) That the Treasury and Admiralty should be empowered to settle claims and make regulations under a general Act of Parliament.

* *Vide* note, p. iii.

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2971. (*Chairman.*) You gave evidence before the Colonial Defence Commission in 1879, as to the magnitude of British trading and shipping interests?—Yes, that was so.

2972. Will you give us a statement of the same kind?—I thought that would be the most proper way in which I could begin my evidence, and would give you something to go upon. The value of British trade and shipping exposed to risk of capture in one year may be put at not less than 2,000 millions. The items are—I give the actual figures for 1906—imports, 608 millions; exports, 461 millions; total imports and exports, 1,069 millions. Second, taking the transhipment trade, the figures I give are for 1905, from the Statistical Abstract: Imports and exports, each, 14.3 millions, the total round figure being 29 millions. For bullion and specie, the third item, the actual figures for 1906 are: Imports of gold 46 millions, silver 17 millions; total 63 millions. Exports of gold 43 millions, silver 19 millions; total 62 millions. The aggregate is 125 millions of bullion. Then the next item (4) is the coasting trade, where I estimate the imports and exports at 100 millions. The next item (5), is the produce of the sea fisheries of the United Kingdom, 12 millions. That, again, is an actual figure. The next figure (6), is that of diamonds, which are not included in the exports and imports, but where you have a figure stated of the imports from the Cape. The estimate is 10 millions. The figure for the imports from the Cape is stated at 6 millions. The next item (7), is the value of ships belonging to the United Kingdom. The steamers are 9 million tons, upon which I put the figure of £20 per ton, a moderate figure, I believe, making a total of 180 millions. The sailing ships, 1.6 million tons, are valued at £7 10s. per ton, and amount to £12,000,000. Bunker coal and provisions represent £20,000,000. The total of these is £212,000,000. These are figures, I may say, of the net registered tonnage, because I observe in some of the papers in the Inquiry which preceded this Inquiry, you often had the figures of gross tonnage, but the registered tonnage is a great deal less, and, of course, rather more valuable. Then the last item of all (8), is an estimate of the value of cargoes in British ships trading between foreign countries, or between foreign countries and British possessions, which I have roughly put down at 600 millions, not without looking into the matter a little, and making a rough statement in my own mind for different countries as to what this would be made up of; but it would have taken me a great deal of time, without any clerical assistance, to make up a special statement. It can easily be checked if you look into it. The figures would have been rather larger if it had been possible to get them throughout for the whole year, 1906. I should like to remark upon one or two of the items with regard to the coasting trade, that, although there are no official figures of exports and imports, *eo nomine*, there is known to be a large amount of trade between Ireland and Great Britain, which cannot be less, I believe, than 50 millions annually. I understand that within the last year or two there has been some return as to the trade between Ireland and Great Britain, fully confirming this, but I have not seen it, and am not able to refer to it. But the figure of 50 millions is one which I obtained about the year 1886, after a great many actual calculations, and looking into the individual port returns of trade between Ireland and Great Britain. There is also a vast trade in coal by sea between different parts of the United Kingdom, no less than 20 million tons being shipped coastwise. That is an actual figure, which we have from official returns. There is equally known to be a large distribution of tea, sugar, and other articles by coasting steamers from London.

2973. Is that a trade between London and other parts of England, or between London and Ireland?—Between London and other parts of England; and Scotland and Ireland also.

2974. But not confined to Ireland?—No, not at all, This is actual coasting trade, a large amount of trade, especially on the east coast, which I know about. There is also coasting business between Liverpool and Glasgow, Liverpool and South Wales, and so on. I should say that the estimate of 100 millions for the whole coasting trade, the coasting trade of Great Britain and the coasting trade between Great Britain and Ireland, is probably much under the mark. Then I should like to make a remark upon the item of the value of ships, in reference to one of the sub-items.

2975. Before you come to that, may I ask about the item of £12,000,000 for the produce of sea fisheries?—That is an actual figure. That is an actual return issued by the Board of Trade of the quantity and value of the sea fisheries of the United Kingdom, and I think you will find that £12,000,000 is about the mark in the last year or so.

2976. Then will you return to item 7, the value of ships, as you wish?—The sub-item for bunker coal and provisions, appears to be justified as a proper addition to the value of the ships, whatever may be the exact figure put upon it. It is the constant practice of shipowners, I understand, to insure freight, which is justified by the fact of actual outlay incurred in earning the freight. Nearly 20 million tons of bunker coals are annually put on board in English ports alone.

2977. If I understand you rightly, you consider that for our purpose those bunker coals should be treated in the same manner as freight?—If you put in the freight as a separate item, then you ought not to have the bunker coal. The bunker coal and provisions are part of the expenditure of a shipowner in earning the freight. If you have a separate estimate of the freight, then you may omit the bunker coal and provisions. It is a different mode of stating it.

2978. I understand. It is an alternative?—Yes.

2979. Not an addition?—No. Then the last item of all, the value of cargoes in British ships between foreign countries, or between foreign countries and British possessions—that is, the whole carrying trade of the world, exclusive of that to and from the United Kingdom—is, of course, a conjecture; but the figure must be very large, so large a part of the foreign trade in question being known to be conveyed in British ships, and I think I may say on account of British merchants. The return "Progress of British Merchant Shipping," contains tables showing how large a part of the business of importing and exporting of the principal foreign countries is done by British shipping. This, of course, includes the trade of those countries with the United Kingdom, which has already been dealt with; but no country trades with the United Kingdom exclusively, and British ships are employed indiscriminately in all trades. The figures, for instance, would include the trade between India and the United States, or between India and Germany, or between India and France, or between South America and the United States, or between South America and Germany and France, and so on. There is an immense trade exclusive of the trade which is carried on between foreign countries and British Possessions and the United Kingdom.

2980. In any great war, certainly in any war with a European Power, therefore, some portion of that trade must be abated?—Because exposed to the risk of capture.

2981. And some portion of it must cease at the outbreak of war, because it is a trade carried on with the enemy?—That would be so, and that is a point which I should think ought to be considered very much on the outbreak of war, that all your figures would be changed in a moment on account of the cessation of trade with one side or the other.

2982. (*Sir George Murray.*) That would affect item 1 probably more than 8?—That is the imports and exports?

2983. Yes?—One could hardly say how far our imports and exports would be affected; but, of course, we should hope it would affect the enemy much more than it does ourselves. But I think I have some remarks to make later on as to the cessation of trade on account of the stoppage of business with the enemy himself, which is a very large matter. The statement is also liable to the observation that a portion of our own imports and exports is conveyed in foreign ships. The proportions of shipping entries and clearances in the United Kingdom are: Total entries of ships, 56 million tons, of which the British proportion is 35 million tons, or 63 per cent.; and the foreign, 20 million tons, or 37 per cent. But whether the trade itself is British and foreign in the same proportions may be doubted, though some correction might have to be made in an exact account. It is quite possible, for instance, that a large part of these entries consists of the short voyages between the United Kingdom and European countries, and does not represent a large amount of shipping trade, and may include the calling merely of vessels to and from, say, Dover and Calais,

which would give you a large amount of entries annually, but without much cargo being concerned.

2984. (*Sir James Mackay.*) It would also give the Hamburg-American Line calling at Southampton on the way to Hamburg from America?—Yes.

2985. (*Mr. Llewellyn Smith.*) I think those German steamers that Sir James Mackay mentions, that call at Southampton for mail purposes, are not in fact entered?—You might have a ship coming into harbour without actually being entered. On the other hand, I think there is a great difficulty at some of the ports, especially at Southampton.

2986. (*Sir James Mackay.*) But the Hamburg-American steamers calling at Southampton on the way to Hamburg are entered?—If they land passengers and cargo.

2987. (*Mr. Llewellyn Smith.*) But there is an anomaly there. A great many of those German liners, as a matter of fact, are not entered?—No.

2988. (*Sir George Clarke.*) But if they are entered they swell the tonnage entry, and it is not trade at all?—That is so

2989. If these ships are constantly registered as coming in and out, it would vitiate all the returns as to the tonnage entering our ports. You have a great ship coming in, going out, and coming in again, all registered as so much tonnage of shipping entering. That would make that return illusory, would it not?—That applies, I think, to the shipping trade more now than it used to do, because we have a great many mail steamers coming and going, which must go at certain dates, whether with cargo and passengers or not. This point is to be kept in mind, though there can be no exact figures. An exactly proportionate correction would reduce the above 1,345 millions of imports and exports altogether, including bullion and specie, to 850 millions, or thereabouts. I assume in any case the correction is much more than set off by the trade between foreign countries and between foreign countries and British possessions carried on in British ships. Then, before leaving these figures, I should like to add that the figures for shipping are those with the United Kingdom only, and do not include the shipping of British Possessions, which would add two or three millions, I think, to the total; also that I have not included the value of securities carried by ships, although that is frequently, especially in the trade with the United States, a very important part of the cargo. I think I was asked some questions about that in 1879, some importance being attached to the point, and no doubt it is a very material point, because securities would be a part of a cargo which, in capturing or sinking a ship, an enemy would take away easily.

2990. (*Sir James Mackay.*) Have you included the coasting trade of India and the Straits Settlements? Have you thought of the value of it?—That would be included under the last item of all.

2991. That is a very big item?—No doubt that is a very large item; or between India and China. You have a large trade of that kind.

2992. Yes, and also you have a very large British trade on the coast of China?—And we have a large British trade in doing the coasting trade of China itself. The last remark I have to make upon that is that the figures I have given are for a year. I have taken the imports and exports, and all these other figures, for a year, and then, of course, I take the shipping merely at one date, because it does not change throughout the year; you have the same amount of shipping. If a shorter period were to be taken, say, three months, the trade figures would be reduced. If three months, they would be a fourth, or thereabouts, of those stated. But the shipping figures would remain the same. The aggregate for three months might still come to about 600 millions to 700 millions; that is exports and imports for three months, and the other items plus the same amount of shipping. Whether you take it for a year or three months, it is the same amount.

2993. (*Chairman.*) What you have said so far brings you to the cost of a universal indemnity?—That is the point with which I proceed next. To give a universal indemnity against capture, if the figures are at all near the mark, would mean that 1 per cent. of captures in a year would run to an indemnity of £20,000,000; 2 per cent., £40,000,000; 5 per cent., £100,000,000, and so on. Even ½ per cent. of captures would be £10,000,000 sterling. In three months, or other short periods, the figures must still be large. 1 per cent. of captures in three months would be £6,000,000; 2 per cent., £12,000,000; 5 per cent., £30,000,000, all of them large figures. Even a small charge for insurance, if quite general, would be a considerable sum.

2994. (*Sir George Clarke.*) Do those figures include the cargoes and the values of the ships captured?—Yes; there is the value of the ship once stated, and then the proportionate amount of the cargo for three months compared with the figure I have given for twelve months.

2995. (*Sir James Mackay.*) Have you formed an estimate of what the value of ships and cargo and bullion at sea at any one time would be at risk?—I have at different times.

2996. It is rather an important point, is it not? Suppose war broke out, what would be the value of the cargo and shipping at sea?—About a third or fourth of the value would be afloat at one time. But it is no use giving a general figure, because it would differ in every trade. For instance, the amount afloat at one time in the trade between England and the Continent is very small in proportion to the total trade. The amount afloat at one time in our trade with India and Australia is very large in proportion to the total trade. You would require to do it by different trades, I should imagine.

2997. It would be rather difficult to work out?—Extremely difficult to work out, but it must be a very large figure. We do know that.

2998. (*Chairman.*) It depends upon the length of the route, and upon the time taken upon a particular voyage, does it?—And upon the nature of the cargo. I think that is a very material part. The cargoes, for instance, that come from Australia are extremely valuable; the cargoes that come from other parts are not always so valuable. Then the outgoing cargoes to Australia and India, for instance, are extremely valuable. I do not know that they are so valuable to many other parts of the world.

2999. But how does the question of their value affect the proportion of the year's trade which is at risk at any one moment?—That would require to be gone into if you were making an estimate of the risk at any one moment. I merely made a sort of rough guess as to what it must be. We know that it cannot exceed a certain limit, and cannot go below certain limits.

3000. (*Sir George Clarke.*) And it would vary at different times of the year?—It would vary a good deal at different times of the year, but the principal item, shipping, would not, I think, vary so much. Shipping is almost always at sea.

3001. (*Sir James Mackay.*) If you took the trade across the North Sea, where it is only a night's run, you would have to divide that by about 365, would you not, to ascertain the value?—That would be so. To take the trade across the English Channel, I believe you get two voyages in a day, out and in, perhaps three.

3002. You would divide by 365, or perhaps by 700?—Yes.

3003. Whereas the trade to India you would probably divide by three or four?—That, again, would depend. You have not such a long voyage to Bombay as to Calcutta.

3004. It would be a very difficult problem to work out?—Yes. The next point I have to make is that the indemnity would have to be paid at a time when the country would necessarily be subject to heavy taxation, and while heavy losses in all directions were being incurred. This appears to be one of the most important considerations affecting any plan. We cannot contemplate our commerce being exposed to risk of capture, as if that could be considered by itself and provision made against it and its direct and indirect consequences. The whole situation must be faced. My opinion is that in a great maritime war there would be danger of financial and banking panics, with their attendant losses. This would arise in several ways. First of all, by the non-intercourse with the enemy, which had been an important customer up to the outbreak of war. Take, for instance, the United States. Apart from military and naval operations, non-intercourse with the United States would involve interruption of supplies of food, cotton, copper, silver, leather

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and other commodities, and largely diminish our export trade. It is impossible to conceive of such a state of things without danger to the entire fabric of our credit. Apart from this result of non-intercourse, a state of war would involve, at first at least, large gold withdrawals from London. This has happened in many former wars whether we were directly involved or not. For instance, the Polish war of 1831-2, the Revolution of 1848, the Crimean War, the American Civil War, the Austro-Prussian War of 1865, which was partly the occasion of the Overend panic of that year, the panic at the outbreak of the war of 1870 between France and Germany, the Russo-Turkish War of 1877, and to some extent the Russo-Japanese War. Looking at the circumsances, which determine banking panics, and the former experiences causing gold withdrawals, I should say that the first disastrous effect of a war between this country and a first-class Power like Germany or the United States, might not improbably be a panic of unprecedented dimensions and the suspension of specie payments as in 1797. I may mention in this connection that the United States suspended specie payments in 1861 and 1862, and France suspended specie payments and enacted moratorium for bills in the war of 1870.

3005. (*Chairman.*) Do you draw any distinction in this matter between a war in which we are a party and a war in which we are not directly concerned?—I think a war in which we were directly concerned would be infinitely more serious. At present the fact of our being neutral has mitigated, to some extent, the panic and other consequences of the outbreak of war between foreign countries. I would instance, especially, the Civil War in the United States between 1861 and 1865, and the war between France and Germany in 1870 and 1871. The fact that we were neutral, although there was great commotion and excitement at first, rather mitigated the effect of these events upon the money markets of the world; London being a great centre to which money in the course of time could be sent for safety. But what the result would be when we were ourselves engaged in a great war is not so easy to foretell. We might not have money coming to London in the same way for security as money has come in former wars in which we were not engaged.

3006. (*Mr. Huth Jackson.*) Did you include the Boer War in your statement?—I have not mentioned the Boer War, because it really was so small in proportion to the total business of this country that there was very little excitement about it by comparison.

3007. Still, from the financial point of view, it was important, was it not, because we had to raise large sums of money?—I think large sums of money did go from this country, especially to South Africa, but there was not a panic.

3008. On balance, do you think gold went out of the country in consequence of the war?—On balance, yes.

3009. (*Sir George Clarke.*) But was not the absence of panic due to the ignorance of the magnitude of the task which we were undertaking?—It was not like the actual panic that caused such large gold withdrawals in the war of 1870.

3010. (*Chairman.*) Take that case in 1870. Where did the gold go to that was withdrawn?—It went to the continent, to Belgium and Holland, and partly to France. You will find it very well explained in Bagehot's "Lombard Street." The first act of the bankers was to protect themselves and to call in the money, and a good deal of the money being in London it was called in from London. That caused a great apprehension, and the result was one of the biggest panics on the Stock Exchange which the Stock Exchange has ever known, I believe, in the first week of July, 1870. But immediately after, when things began to quiet down, the same bankers who had withdrawn their money suddenly to protect themselves against immediate demands of which they were apprehensive, sent back the money to Lombard Street, and Lombard Street was choked up with money while the war between France and Germany was going on. But the two things are not inconsistent, the first sudden demand when there is a breath of difficulty, and the banker thinks he may have to meet immediate engagements, and the subsequent sending of money to London for safe security, London being in a neutral state, and not engaged in the war.

3011. I gather that you consider that we are more exposed to panics of that kind than are the other Great Powers?—I should not like to say that we are more exposed. Other Powers seem to have made great preparations, and have large reserves of cash, and have not the same development of credit that we have. But the panics in Paris and in Germany have been very severe indeed. I recollect very well in 1873 you had panics all over the Continent, in Vienna, in Berlin, in Frankfort, and in Paris, quite as severe, if not more severe, than anything we had at that time.

3012. But was there a similar panic in Berlin at the outbreak of the war in 1870?—Undoubtedly one of the causes of the panic in London was the panic in the continental centres, and their consequently taking money from London.

3013. Then the danger to us arises from the fact that we have so much foreign money here in ordinary times?—That is one of the reasons; the foreign moneys are placed in bills drawn upon London, and, of course, the foreign banker can take that money at any time.

3014. You say that the presence of so much foreign money here in ordinary times is one of the causes of danger to us. Are there any other causes which are special to us and do not equally apply to any other Great Power going to war?—I think the custom of foreign countries coming so freely to London is one peculiar to London. There is no other market to which they are accustomed to go for immediate cash as they are accustomed to go to London.

3015. There is no other market in which they can get it, I believe?—I do not say that no other market is available, but there is no other market to which they are accustomed to go.

3016. (*Sir James Mackay.*) It is the only market where they can make sure of getting gold, is it not?—Practically that is so. Both in Paris and in Berlin nominally you can get gold, but it is not quite so easy to get it freely. I think when I made that statement I had also in view that foreign bankers with credit in London have a certain power of taking money from London apart from the actual cash they have on deposit. It is a question of credit to some extent, and a foreign banker in good credit might have means of taking money from London although he had no actual cash there, or had not cash equal to what he proposed to take. The sale of securities and other methods would put him in funds.

3017. (*Chairman.*) But that means would be far less open to him in a time of stringency or panic?—It would be the attempts of the foreign banker to get the money that would cause the stringency to a large extent.

3018. Will you proceed with your statement?—The next statement I make is that as the result of these panics there would immediately be great distress and want of employment at the outbreak of war, leading to the ruin of many traders in all trades. What happened in Lancashire in 1862-66 owing to the famine of cotton alone, would be all but universal throughout the country.

3019. I do not quite follow why that should be so?—Because if you have a shortage, not merely of cotton but of other articles, owing to the stoppage of intercourse with the enemy, you have immediately the same kind of stoppage of employment that you had in Lancashire in 1862-66, and not merely in cotton but in wool and numerous other articles, copper, iron, and so on.

3020. You are thinking especially of the United States at the present time, are you not?—That was one of the countries, but I have thought also of other countries in this connection, and the stoppage of employment would be even more direct in some cases. For instance, if we were at war with Germany, there would be a cessation of the export of about, I think, seven million to ten million tons of coal from this country to Germany, and seven to ten million tons of coal implies a very considerable employment of labour. There would also be a stoppage of other things as well, because Germany is a customer of this country for about between £30,000,000 and £40,000,000 sterling of goods.

3021. Is there any other country but the United States, war with which would seriously affect our supply of raw materials?—I think not. There is no other country singly supplying us with raw materials quite to the same extent as the United States.

3022. In the case of the United States the distress

would arise from our inability to buy our food or our raw materials; in the case of the other countries it would arise from our inability to sell or produce to the extent we had previously done?—To a large extent from the inability to sell. But we obtain our raw materials and food from a very wide area, and you would require to consider very carefully how much in each case you would be immediately affected by the stoppage of intercourse.

3023. But the loss of market for sales would be to some extent compensated, would it not, by the immediate increased demand of our own Government?—You might think so as regards such an item as coal perhaps, and yet I do not feel quite sure about it. You might have a large stoppage of your export trade which no amount of Government demand would supply.

3024. Have you looked at our export trade with any particular continental nation from that point of view, comparing the extent of trade that would be stopped with the increased demand that was caused, for instance, by the Boer War?—Not from that point of view, and not with any estimate of what increased demand there would be in other directions. Such an inquiry I should consider rather speculative, because when you come to practice, when you come to such things as war, a great deal that is quite unexpected always happens.

3025. Speaking generally, a time of war has generally meant a large demand and a profitable demand, has it not?—I think merely for certain things on account of the Government. I should rather be inclined to say not; that a time of war very often means a stoppage of business in various directions. For instance, there is that case I have given of the United States and the cotton famine. That was an extreme illustration of the effect of war in actually stopping business.

3026. That was rather a peculiar case, was it not? We drew the whole of our supplies of the raw material from one particular quarter of the world, and that quarter was the theatre of the war?—That was so, but just to show the difference of what happens, we drew a large amount of our food at the same time from the United States, but as a matter of fact at the very time that cotton was so dear and scarce you had wheat cheaper than it was at any time, I think, in the course of last century. Wheat was under 40s. a quarter for two or three years in 1862-66, at the very time of the cotton famine, although our supply of wheat came very largely from the country which was the theatre of war.

3027. But not from those parts of the country which were the theatre of war?—That was so. You require to go into it in so much detail.

3028. But my point was a little different. What I was suggesting to you was that it is almost impossible to conceive of the situation that arose in regard to cotton during the American war being repeated in regard to that or any other article in any case in which we were at war, except a war with the United States?—I think you might have something like it in regard to wool. If you had a combination of a short crop in Australia with a war in South America—in the Argentine, for instance, you would have a famine of wool very nearly resembling the famine of cotton that you had during the time of the American Civil War.

3029. (*Mr. Gladstone.*) Except that wool might be obtained from other countries, whereas we know that cotton in the sixties came altogether from America?—One result of the cotton famine, as we know, was the great boom in India. It created a great demand for Indian cotton.

3030. Indian cotton at that time was a mere nothing?—It was a very great matter for India. One of the greatest economic events we had was the rise in cotton in India, and the great prosperity in Bombay and other places. Another consequence of the cotton famine, which took a little time to operate, was that immediately you had an increased demand for wool and linen and silk.

3031. (*Mr. Huth Jackson.*) Is not there now a much greater interchange between those articles than there used to be. Would not the deficiency in the case of supplies of cotton be made up to a great extent by an increased use of wool?—I should hope it might be, and there would be more mixture in the spinning and the weaving, I believe, but how far one could follow that out as to what the result would be in a particular war is not so easy.

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3032. (*Chairman.*) Whatever be the exact limits, you are, at any rate, of opinion that there would be great distress and great want of employment following on the outbreak of war?—I have no doubt there would be great distress and want of employment, and, apart from these points we have been mentioning, if you had, for instance, any large banking failures and things of that kind that would immediately produce great distress in the districts where the banks failed.

3033. Will you proceed with your statement?—The conclusion I come to, then, is that a measure of indemnity against the capture of ships and cargoes, so as to facilitate the trade, might thus cost a great deal of money at the very time when everybody was in poverty. Even if assented to on account of the advantages promised, there would be much grumbling by those who had to pay. I have to suggest that a measure of universal indemnity ought not to be lightly adopted, for obvious reasons of cost, because the country would be undergoing an excessive financial strain at the very time. I think, however, that an indemnity in certain cases and on strict conditions would not be open to the same objections, and would, at least, be more manageable. Areas and routes of trade are of varying importance, and there is not an equal necessity to keep all open. There may be some outlying routes of trade which we might as well let go as endeavour to protect at a greater cost than they are worth—the trade, for instance, on the north-west coast of America. In other cases, a question of indemnity might not arise, owing to the safety of the route being absolutely assured—for instance, between Dover and Calais, or Liverpool and Belfast, or the Red Sea, or the Mediterranean. An indemnity ought not to be given on such a route, where there can be no medium between the certainty of capture at one time and absolute safety at another.

3034. I do not think I quite follow that statement?—For instance, between Dover and Calais, if there was an enemy's cruiser outside, I should hope that no ship would venture out to run straight into the jaws of the enemy. If, however, it was known quite for certain in Dover that there was no enemy's cruiser outside it would be a case of absolute safety to make the voyage from Dover to Calais. In either case there is no room for indemnity; it does not arise.

3035. There is no objection to the indemnity in the second case. If there is no danger the State incurs no risk?—Nobody would want it.

3036. It would merely be unnecessary?—Yes.

3037. In any given war that would probably apply to a good deal of the commerce which you have included in your statement of the value at risk?—Especially to the cargoes. I am not so sure about the shipping. I think so large a part of the shipping is in the more distant trades that you may consider that the shipping is rather more exposed to capture than the commerce.

3038. At any rate, there would be a considerable proportion of the total figure which you gave us which would practically not be a real risk. What that proportion would be would differ with each individual war?—It would differ with the particular war.

3039. But there would be a considerable proportion in any war, even in a war which threatened us most?—I should hope there would be.

3040. Then there comes the case of the ships which ought not to be allowed to leave because the danger is too great and the loss is practically a certainty. Would not that be met by placing an obligation on shipowners desirous of availing themselves of the indemnity to follow any instructions issued by the Admiralty?—I should hope that would be so, with this remark about it, that the giving of instructions by the Admiralty would cause delays and many other difficulties, and would be a practical method of denying the indemnity altogether very often.

3041. No doubt the power to deny the indemnity—that is to say, to refuse to sanction a voyage—must be reserved to the Government?—And also you must bear this in mind: How are you to make the application, for instance, in a voyage from Dover to Calais? We will say an enemy's cruiser is there in the forenoon; a British cruiser comes up and sends it away, and a voyage which was dangerous in the morning is safe in the afternoon. How are you to go through the formalities of asking the sanction of the Admiralty and matters of that kind in a case like that? No doubt there might be general instructions and general regu-

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lations, but it would be a very difficult matter to arrange, and probably the safest plan would be for the shipowner not to wait for the sanction of the Admiralty or anything. He would go for the voyage if it was safe, but if you promise him payment for the voyage if the ship were captured he would probably go for the voyage if it was not safe, because whatever the Admiralty directions were it would not prevent them being misunderstood in some cases, and the loss would occur.

3042. But you were just suggesting we might have a restricted indemnity?—That would be a restricted indemnity, and that, I think, you would find would apply to cases totally unlike the case of Dover and Calais, or those narrow places where capture is either a dead certainty or an impossibility.

3043. Of course, you recognise that under your scheme of indemnity there must be some restrictions laid down by the Admiralty or other Government Authority?—It is hardly a scheme that I suggest. It is a sort of limitation, with some reservation that this sort of thing might be tried. But I am not very much in favour of it at all.

3044. At any rate, if it were to be tried you would confine the indemnity to certain routes which had the sanction of the Admiralty, and where the necessary precautions against capture were adopted?—That would be so, and then possibly the expedient of convoys might again be practicable, but that is so purely an Admiralty question that I can express no opinion upon it. Then my hope would be that after a time during a war the subject would settle itself. A certain number of areas and routes, perhaps the most important, would be absolutely safe either at once or very soon; there would be relative safety on others, where shipowners and merchants might be encouraged by the promise of indemnity; certain outlying routes would be neglected or left to the adventurous. An indemnity thus limited need not be impracticable on account of the expense, but whether the shipowners would care for it or not is a different question. Then I think it would be reasonable that persons wishing to be indemnified should pay a small contribution, partly as a restraint upon unreasonable ventures, and partly because those receiving the indemnity obtain a special advantage as compared with the rest of the community, which is equally suffering losses. Convoys, I believe, were paid for by the trade.

3045. How do you propose that the payment of this contribution should act as a restraint upon unreasonable ventures? Do you intend that the contribution should bear any proportion to the risk?—Not at all, but it should be quite sufficient to make a shipowner consider seriously whether it would not be better for him to do without it, or trust to his ordinary insurance.

3046. If it is higher than he can insure in the market of course he would prefer to go to his ordinary insurance?—That is so. It should be such a figure as would prevent excessive premiums, but not such a figure as to make it too easy for the shipowner or the merchant.

3047. But on one of the journeys you are contemplating, one of the very risky voyages, the figure must be very high, must it not, if it bears any kind of relation to the risk? It may be 50 guineas per cent., it may be even higher?—I should imagine that the Admiralty would not encourage ships to go at 50 guineas per cent. When it comes to so high a figure as that clearly a convoy is the proper arrangement. It comes cheaper. Then you might have another thing in use in time of war, which you have had on former occasions. Ships of war might carry a valuable cargo, for instance, silver and gold and securities and other things. I believe that until a recent period it was lawful for His Majesty's ships to carry silver, and they have brought home silver from South America, not in time of war even, but in time of peace.

3048. Practically when the risk rose to a high figure you would say the voyage had better not be undertaken?—Or it is a question for the Admiralty to consider whether it would not be cheaper to provide convoys.

3049. Then will you finish your statement?—The last point I have to make is that power might be given by a general Act of Parliament to the Privy Council to issue an Order authorising the Treasury to pay indemnities on capture of ships and cargoes, subject to conditions as to conforming to Admiralty rules and regulations, and Treasury rules and regulations, either stated in the Order or to be issued in further pursuance thereof. Probably an Order in Council would always be necessary to give effect to rules and regulations of the Treasury and Admiralty.

3050. I gather from what you said just now that on the whole you do not press these suggestions much upon us?—Not very much, because I am not sure that on the whole there ought to be a national indemnity. I am not much in favour of the idea generally.

3051. Supposing there is no indemnity, what do you anticipate would happen on the outbreak of war to our mercantile marine? Would it succeed in obtaining continuous employment under the British flag, or would you anticipate that a large number of ships would be laid up, either because the risks were too great, or (which is, perhaps, another way of saying the same thing) because the rates they had to pay, and, therefore, to charge, were so great that they were, therefore, unable to obtain freights?—My opinion is, on the whole, that employment would continue, and that shipowners and merchants would take all the risks incidental to the business. If there was a necessity for higher premiums there would be freights corresponding, and they would be able to afford the risk. I believe there would be no cessation of the British flag from the seas at all in almost any conceivable war. Of course, if we should be defeated at sea a different situation would arise altogether. Then one hardly knows what would happen. We should be utterly smashed up, I suppose, and we should not be considering questions of this kind.

3052. No; we assume that the British fleet maintains its supremacy for the purpose of our inquiry?—If that is the condition, my general feeling is that there need be no apprehension as to the British mercantile flag keeping the sea, and finding very full employment indeed. I think I was asked some questions on that point in 1879, with reference to the possibility of the transfer of ships to neutral flags.

3053. I was just going to put that to you?—And I gave the opinion in 1879 that I thought the transfer would have to be on such an enormous scale that there is no conceivable possibility of it. I have thought a good deal of the question at different times since then, and I believe that as far as the transfer to neutral flags is concerned there are hardly any neutral flags to which the ships could be transferred, not owing to our regulations, but owing to the regulations of most foreign countries. For instance, as the legislation in the United States at present stands, no British ship could be transferred to the United States flag.

3054. But that is a matter of domestic regulation, which those foreign Powers could alter at any time if they thought it to their advantage to do so?—I think you would find it would be impossible for them to alter it after war had broken out, to enable them to take the ships of one of the belligerents. The other belligerent would very probably consider all such transfers colourable, and act accordingly.

3055. Might not the other belligerent consider that it was undesirable to come into conflict, say, with the United States in addition to the United Kingdom, and that the United Kingdom was sufficiently injured if she lost her mercantile marine, if it passed to the American flag?—That would be so if it were a case of transfer to the United States. But I think we must take the trend of legislation in most countries as it actually is, and assume that there could be no transfers to the neutral flag of the United States, if the United States were a neutral.

3056. Apart from the legal difficulty raised by domestic legislation, it would be a much easier operation in these days, would it not, than, for instance, when you considered the thing in 1879? I mean that the accumulation of enormous capitals under a single management is a thing with which we are much more familiar now than we were 30 years ago, and it is much more possible now to carry out a big operation of that kind financially?—As far as capital is concerned that is quite certain, but I am looking at mechanical difficulties in the way of the thing, where your transfers have to be legally recorded, and how they are to be effected, and matters of that kind. It might take a long time to make the transfers on particular ships.

3057. I pass from shipping to the effect of war on our trade generally. Am I right in supposing that your view is that the disturbance will be so great and so serious that the mere rise in freights due to war

risks will be a practically negligible quantity, or, at any rate, that to deal with them and them alone would be a mere drop in the bucket?—That is my feeling, that it is not big enough by itself, compared with all the other direct and indirect consequences of a state of war such as we contemplate.

3058. And therefore you hold that the grant of a State indemnity would not have any great effect upon the continuance of our trade or upon the prices of our supplies of food and raw materials?—I think not. I think there is a little misapprehension about the question of prices, because there is no doubt that, although the stoppage of supplies, such as cotton, did cause a remarkable rise in price of that particular article, it does not appear to be the case that a state of war would lead to a general rise in prices. It leads to a rise of prices in particular articles, according to particular circumstances, which require to be very carefully considered. But, on the whole, a state of war might lead to forced sales and things of that kind that would cause a general fall of prices instead. For instance, take the case of the United States again; the result might be an abundance of certain articles owing to the United States supply to this country being stopped. They would try to sell their articles in other markets, and cause a fall of prices in those markets by which we should benefit. I see no cause for a general rise of prices in consequence of war.

3059. Take the case of wheat, in particular. Suppose our direct supplies from the United States ceased because we were at war with the United States, that would also be the circumstance under which our supplies from Canada would be the most exposed to danger, I suppose. Do you anticipate that those supplies would reach us indirectly if they did not reach us directly?—Either supplies from the United States or from some other countries. The United States, for instance, if it could not send wheat to this country, would be in great difficulty; the merchants and farmers in the United States would want a market very badly. Then they would send their wheat to France and to Germany and to other European countries. The price of wheat in those countries would fall accordingly, and we would have wheat from them to some extent. I mean there must be a limit to the rise of prices.

3060. (*Sir George Murray.*) Supposing, as you anticipate, a great war was accompanied by serious financial complication or even a panic, do you think our national difficulties would be very much increased under a system of indemnity as compared with a system under which the losses were covered by insurance as they are now?—What I should rather anticipate would be that in the time of panic we would not be thinking of indemnity at all. The question would be whether anybody could live through, and also, when it comes to a question of suspending specie payments, what would you pay the indemnity in?

3061. Whatever the current medium would be at the time, I suppose?—It is so much a larger question to consider than what would happen to the question of indemnity. That was the point I desired to make.

3062. But would not the fear of capture be the dominant element in the financial crisis that you contemplate?—Yes, that would be so.

3063. Then it would be a serious factor in the whole situation, and, after all, should we be any worse off, do you think, with a system of indemnity in force than without it?—The fear of capture would aggravate the feeling about the danger of supplies. But, in addition to that, the financial panic would probably impoverish every one to a very large extent.

3064. So would the losses if they occurred, I suppose?—Yes. I mean a man who was suffering from the failure of his bank would not have any great feeling of compassion for a shipowner who was suffering from the capture of his ship. They would be in much the same condition.

3065. Still, the shipowner and the cargo owner would not have to suffer unless there were some means of recouping their losses?—But then they would recoup their losses probably in the course of business. The freights and other things must adjust themselves to the condition of affairs.

3066. And that would increase your financial complication, would it not?—I do not know that it would increase it very much, because when it comes to the case of the stoppage of banks, there can be no more serious complication conceivable, I imagine, because that stops employment so largely, and it is so inconvenient to everyone who suffers the loss, that you cannot have a worse state of things.

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3067. Would you be more likely to have a stoppage of banks with the system of indemnity than without it?—I do not think the indemnity would make much difference, because it would probably come like an earthquake, without much warning. You would wake up some fine day and find that the bank could not cash your cheques. That would be a thing that would happen.

3068. (*Mr. Llewllyn Smith.*) With regard to the question which I interposed when Sir James Mackay was asking you about the Hamburg-American vessels, I have inquired at the Board of Trade, and I find that the facts are these: Such vessels, if they only land or embark passengers, would be included if they land or embark them at the docks or quays of Southampton or in the immediate vicinity thereof, but vessels that merely transfer passengers to or from tenders are not included, and so far as the statistics show, all the big German liners come into the second category, and therefore they are not included. That would also apply to Plymouth and Dover?—I should like to say with reference to that that you have a large number of cases of big liners coming into places like Southampton that do come to the docks and quays.

3069. Undoubtedly. I rather gather that you do not think that a case has been made out, so far as you know, for State action in the nature of an indemnity. You are rather against the whole thing?—My general feeling is that it is a case for the Admiralty so much that we are rather in the dark about discussing it outside. They ought to know what they will do and what they can do, as nobody else can, and they can make their arrangements accordingly.

3070. Would you anticipate that just at the outbreak of war there would be a large rise of prices due to apprehensions of captures which would be out of all proportion to the number of captures that would actually be made?—Merely in certain directions. I should say that in many other directions you would have a great fall in prices. For instance, on the Stock Exchange you would have a great tumble in prices on the outbreak of war.

3071. Prices of securities?—That is a very large element in prices, and that would apply to all cases where stocks of articles are held with borrowed money. You might have a great tumble in prices. Of course, you might have a rise in other things where the war circumstances specially favoured a rise, but the general circumstances of panic would rather favour a fall of prices.

3072. You think that in the long run the shipowner will be able to recoup himself by an extra charge of freight?—He must either recoup himself or go out of the business, clearly.

3073. But it has been suggested that that would not apply to the vessels afloat at the actual outbreak of war. Would you think there would be a special case for indemnity for such vessels?—How far that would be a special case one can hardly say in these days of telegraphy, because shipowners would have so much notice as well as other people. Unless in a very rare and extreme case you would find that there were war premiums in existence for some time before the actual outbreak of war, just as there were at the time of the Fashoda scare. You had very considerable war premiums charged in the City then, and not merely for a short time but for a considerable time war premiums were paid; very much, I suppose, in that case, to the advantage of the underwriter, because the war did not come off.

3074. (*Sir George Clarke.*) Have we any means of ascertaining at any time how much foreign money is held on call in London, the money which you have said might be suddenly withdrawn from us if we went to war?—I have never put together figures of that kind myself, because one remembers that Mr. Huth Jackson, one of your members, has done it, in my opinion, so very well, and he can give you all the information necessary.

3075. You think it is impossible to form an approximate estimate of the gold we might lose?—I should not like to form an estimate of the amount of foreign money on call at any time.

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3076. I believe your view is that prices do not rise necessarily in time of war unless the production of the particular article is stopped?—That is strongly my opinion.

3077. And if the production of the particular thing we want is going on in time of war, that article will come to us even if it comes indirectly from the belligerent?—It would tend to come to us under very different circumstances.

3078. And you still maintain your view that the transfer of British ships to foreign flags at the outset or during war is not probable on a very large scale?—I think there ought to be no apprehension of it; that is to say, not to any Great Power that would be afterwards a competitor with us in marine trade. There might be a transfer of ships to neutral flags under weak Powers, but not a transfer to any considerable Power, partly because there are no arrangements at present for such a Power to accept the transfers.

3079. Then, if that transfer could not take place, the vessels of neutrals would not be able to carry on their own trade and absorb a portion of ours?—It would be impossible for the business of carrying all over the world to go on without the British flag.

3080. Therefore that carrying trade must stop in war unless the British flag continues to do it to a great extent?—That is so.

3081. I suppose you think the percentage of losses we should incur would depend principally upon the naval position of the country we were at war with?—At the time.

3082. You mean that nothing like a general law could be established; it would depend entirely on the Powers we were at war with?—Entirely.

3083. And it would depend very much upon the measures of previous preparation made by the Admiralty?—It is so much a question between the Admiralty and the enemy that outsiders like myself can express no opinion upon it, I believe.

3084. Our risk of loss would be very much less if the Admiralty had a completely thought-out system for guarding commerce in the event of a particular war?—My feeling is that the Admiralty may be too much under the impression that what they have got to do is to beat the enemy, but the other element of preventing certain evil consequences from the war is also very important, and ought not to be lost sight of. I will give an illustration. I believe it is an opinion that military men have expressed at various times that the garrison of Ireland need not be more than 10,000 men, that you could guarantee to keep Ireland quiet and keep an insurrection down with 10,000 men. As a matter of fact you have always about 30,000, and you find that when Mr. Childers was Minister of War he was very anxious about it, not merely that he thought a less number might not be sufficient, but that he wished to avert the necessity of having any bloodshed or any trouble whatsoever; he considered that was very important, as well as the actual maintenance of the supremacy of the British authorities. Clearly there are two elements always to be considered, not merely what is sufficient to beat the enemy, as it were, but what is sufficient to prevent certain incidental consequences which you wish to avert. That applies very much to the preparation of this country for a maritime war.

3085. Then you mean that, apart from the idea of fighting the enemy's fleet, special and particular arrangements ought to be made for guarding trade in particular parts of the world?—That is the general opinion I have.

3086. You put the coasting trade I think at 100 millions. If that is temporarily interrupted on parts of the coast, would the railways be able to carry it?—I think the railways would be able to do almost all the business in this country. The railways are so numerous and so well planned, there is such a superfluity of transport, as it were, that I believe they might be able to do all the business on the coast of Great Britain. Of course, they could not carry on the trade between Great Britain and Ireland.

3087. Your general view is that the outbreak of a great naval war would introduce such a gloomy state of things that the mere question of premiums is small in comparison?—It would be a state of things of which we can hardly form an opinion; especially if we were caught in any way unprepared, and some big disaster happened, the confusion would be something awful, in my opinion.

3088. Several witnesses have told us that the violent fluctuation of premiums would be so great as to be in itself a cause of ships not going to sea. You do not anticipate that?—I should rather think that Lloyd's would be the first place where they would take a commonsense and practical view of the matter. I should not be apprehensive of violent fluctuations continuing for very long. They would take a very practical, commonsense view, and come to business very quickly.

3089. But you do not think that war insurance, especially at the outset of war, could be regarded as anything like a scientific business?—Not in the least. It is more like a case of treating a panic. With a panic in the City when a crisis happens you have got to fight it the best way you can, and get through it, and there are no scientific rules to be laid down beforehand by which the job can be done. What you have got to have is the men to do it, and the quickness and judgment with reference to the actual condition of men's minds at the time.

3090. It would really for some time be a gamble?—A gamble.

3091. Have you seen a book called "Our Next War"?—No, I have not. I have read a great many books about the invasion of England, and other things, but I have not read that particular book.

3092. The writer obtained the accounts of an underwriting firm in 1812, and he makes out that the average rate of that year of war insurance was about 6½ per cent., and eliminating the peace rates he makes it about 5 per cent. Do you think any figures of that kind have the least value in these days?—No, I think not; and the question arises in this case whether the calculations were influenced by the outbreak of war with the United States, which would be the case in 1812, as compared with 1806, when the United States was out of it. Of course, that was a new element suddenly introduced, and might have been very serious at the moment.

3093. I understand you object absolutely to any form of free indemnity?—I do not like a free indemnity.

3094. Do you object to a Government system of insurance at fixed rates, varying in different zones?—I think I am not at all opposed to that varying with different journeys, and never more than certain fixed rates that the Admiralty would be allowed to charge.

3095. And supposing that the maximum rates on the longest zone made up of the rates on the intermediate zones was not more than about 2½ per cent., would you consider that would be sufficient to act as a check upon maritime operations?—That is probably a rate that the trade could stand in a time of emergency and difficulty, although it is a very high rate indeed in one way. It would add considerably to the price of things if it was done now, because people work so much lower.

3096. Of course, if the market would give lower rates they would take those lower rates. Would it not steady trade very much to know that it was possible to get insurance at that maximum rate, whereas it might otherwise any morning jump up to 50 guineas?—Provided trade was not exposed to difficulties and crises at the very time, so that they would not be thinking so much of it.

3097. (*Chairman.*) But in your opinion trade would be exposed to these other difficulties?—That is my opinion, that the trade would be in great difficulties, and that you could hardly do very much by special expedients.

3098. (*Sir George Clarke.*) But the very financial troubles that you anticipate would also tend to make insurance rates rise very high?—It might have a steadying effect to know that such an insurance was behind, and that the Government could do it. It might have a steadying effect at the beginning of hostilities.

3099. And then as the course of the war cleared itself probably rates would drop?—Rates would drop very much. I have no great fear of the effect upon commerce if we get sufficient time.

3100. But if you provided a State system of this kind you would make it conditional that all ships which had this advantage should follow Admiralty directions exactly?—Absolutely. I cannot conceive it being done with the shipowner at liberty to do what he likes.

3101. And you would give the Admiralty power at any time to announce a route closed temporarily?—That is so.

3102. And the Admiralty might also order the ships to take convoy and not proceed without?—That is so.

3103. Would you do that even if the ship was to get nothing from the Government? In the ordinary course of commerce would you insist upon the ships following Admiralty directions, or leave them free?—I do not know that. If a shipowner was willing to take all the risk of capture I do not see why he should not be allowed to send his ship to sea.

3104. Because in the old wars that difficulty arose. The Admiralty wished to insist upon convoy and to detain ships for convoy, and the shipowners sometimes wanted to sail without it?—I am not aware of that, but I know that shipowners would not like to be restricted in that way. It would depend so much upon the captains of the ships. A shipowner might say "I have got a captain who can take a ship quite safely through all the foreign ships about; he knows what to do."

3105. But the system of restriction would be justified if you were going to give State insurance?—Yes, that would be so.

3106. Otherwise you think the shipowner should be free to do what he liked?—Yes.

3107. (*Mr. Huth Jackson.*) You say you do not anticipate any general rise of prices owing to war?—That is my strong opinion.

3108. But at the same time I take it you would anticipate a rise in the prices of food articles and articles of raw material which are imported into this country, would you not?—I would not go quite so far as that. It would depend upon the particular war, and I attach great importance to the fact that the price of wheat did not rise during the American Civil War, although at that very time the price of cotton rose so extravagantly.

3109. Other things being equal, if there were very high premiums charged for insurance that would undoubtedly affect the price of all articles that are imported into this country to the extent of the premium?—It would tend, I think, rather to raise the price.

3110. Supposing there were no rise of prices from other reasons, the imposition of a high insurance premium would undoubtedly raise the prices above what they were to the extent of that premium at least?—That would be so. Of course, you would have to consider that there might be other causes connected with the war operating to lower the prices.

3111. Perfectly; but at the same time, eliminating all other reasons, you would admit that the imposition of this high insurance premium would undoubtedly affect the price of all articles coming to this country?—That would be so.

3112. Do you not anticipate that such a case might even arise that there would be an impossibility of insuring war risks. Taking the figure which you give yourself of £600,000,000 at risk at one moment, all of that clamouring to be insured against war risk, do you fancy that the insurance world would be able to take that?—I should doubt whether it would be quite able to do so, but the point would be that I should doubt if the £600,000,000, or, say, the amount in three months, would ever be insured. So many people would insure themselves even in time of war.

3113. That could only apply, I take it, to ships. It could not apply to cargoes?—I think there are mutual insurance associations for goods as well as for ships. I could not say, but there are mutual insurance companies, and I have always understood that they did business in goods as well as ships.

3114. In any case, the difficulty would be to a certain extent, would it not, taking the banking part of the transactions, that a prudent banker would certainly not undertake the financing of any goods that were not insured?—He would not finance anything that was not insured, and he would also require, I suppose, to be satisfied with the insurance.

3115. Therefore, to that extent, the necessity of insuring the goods at any rate would still be very important, would it not, as most of the goods coming to this country have somehow or other to be financed, and no financing would be possible if the goods were not insured?—That would be so.

3116. Therefore, at any rate, as far as the goods were concerned, out of this £600,000,000 the greater portion of that would have to be insured against war risks, would it not?—It would be expedient to insure if you could. How you could have the business done without insurance is one of the questions that one finds it difficult to follow out.

3117. And that difficulty would tend to cause a rise of prices, would it not?—That would tend to cause a rise of prices. On the other hand, would not all these difficulties of forwarding these goods from the country from which they come to this country tend to cause a fall of prices on the other side? Would you not have the goods offered at a price low enough to enable you to pay the insurance?

3118. That would depend upon the quantity offered outside of England, would it not?—It cuts both ways.

3119. Yes, quite. Then I should like to ask you a question or two with regard to the scheme. You said that you thought that in any case the ships would would have to sail subject to their following Admiralty orders. Would you contemplate that in the event of their following those orders there would be any indemnity to such shipowners for the delay, and the cost of that delay?—I should think there would be no propriety in paying for delay, that the Admiralty would do quite enough in doing the principal thing, and that there would be no occasion for considering such nice questions if the cargoes arrived safely.

3120. But, of course, if the Admiralty gave an indemnity and insisted upon a ship not sailing it is obvious that the Admiralty would do that for the purpose of saving the loss of that ship, which they thought might be inevitable. Therefore, it might be cheaper for them to pay for the demurrage rather than to lose the ship?—That is a small question compared with the serious matters which would have to be considered.

3121. Yes, quite. In such a case, would you propose that the cargoes as well as the ships should be indemnified?—I think the cargoes should be indemnified as much as the ship itself.

3122. Then would you suggest that it should only be British-owned cargoes, or all cargoes in British ships?—I have not thought of that point, because it occurred to me, when I found that British shipping was so much more extensive than ships belonging to the United Kingdom, that that is one of the things the Government would have to consider.

3123. (*Captain Ottley.*) You said you thought the Admiralty should not confine its attention entirely to defeating the enemy and capturing and destroying the enemy's ships, but you thought it would be expedient that the Admiralty should also take special measures for the protection of trade; I was wondering what was in your mind as regards those special measures?—I am at this great disadvantage, that I am not an expert as far as the Admiralty is concerned, and I am not one of the people who have an idea of instructing people who know much better about these things than I do myself. But I think the illustration which I gave of the number of troops necessary to hold a particular country, and the number of troops that it is expedient to place there for other reasons, is a case in point—you not merely wish to hold the country and be absolutely sure that you do hold it, but you wish to hold it without certain incidents happening which you dislike for political and other reasons. You wish not merely to beat the enemy in the case of a maritime war, but you wish for various political reasons to prevent certain other incidents happening which would be extremely disagreeable, and I think it is important to consider these disagreeable incidents as well as the maritime question, which, of course, the Admiralty ought to have in mind.

3124. I think I understand your view. Really, it amounts to this, does it not: That you think it is essential that our fleet should not merely be big enough to defeat the enemy, but should be so large as to impose peace on the world. That would be the analogy to the troops in Ireland?—Not quite. You cannot impose peace on the world.

3125. At any rate, to render it so unlikely that our possible enemies could come out of the war with success that they would hesitate very much in going to war?—No; it does not go so far as that. It means that there are certain incidental things which you ought to prevent if you can. Of course, if you cannot do it—if the enemy is so strong that you cannot adjust these incidental things—you must do the best you can, and make sure of beating the enemy. I quite agree with that. But you should also endeavour to

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have a surplus of force for these other incidental consequences.

3126. But, really, it is a question of the size and the distribution of your fleet. You think your fleet should be of ample proportions?—Entirely. I think, if I might rather venture on a technical point, that to some extent what I suggest is even justified by strategical considerations. It is a question of the security of your base, to a large extent. You ought, for instance, to make it quite impossible, in any war one can conceive, that an enemy's ships should be able to gain an entrance to St. George's Channel, or that an enemy's ships should be able to gain access within a certain distance of the important ports of our country. How far that could be done I cannot tell. But it is a question of the security of your base, to a large extent.

3127. Do you think that the principle of the foundation for your general plans of war necessitates that wherever there is one enemy's ship there should be at least one, if not two, British ships to meet her, and that the object which the Admiralty should have in view should be to hunt down and destroy every warship of the enemy?—I have formed no such idea. That is a matter for them.

3128. We have no other plan. Our fundamental plan is to capture and destroy the ships of the enemy, and when we have destroyed every enemy's ship we have nothing more to do, for then trade is immune?—No doubt when you have destroyed every enemy's ship you have nothing more to do, but at a given moment it might be expedient that you should be able to guarantee certain things at the beginning of a war. For instance, the trade between Great Britain and Ireland is a thing that should be absolutely certain, unless an enemy's fleet should happen to come between you.

3129. (*Chairman.*) I understand you practically to contend this: That the damage involved in a particular military operation might, from the military point of view, be comparatively small, but from the intellectual and moral point of view it might be very considerable, and should be taken into account from a startegical point of view?—I think you have exactly expressed what was in my mind.

FIFTEENTH DAY.

Tuesday, 4th June 1907.

PRESENT:

The Right Hon. Austen Chamberlain M.P. (*Chairman*).

Sir Thomas Glen-Coats, Bart., M.P.
Sir James L. Mackay, G.C.M.G., K.C.I.E.
Sir George Sydenham Clarke, G.C.M.G.
Sir George H. Murray, K.C.B.
Mr. H. Llewellyn Smith, C.B.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Frederick Huth Jackson.
Mr. Arthur Lindley.
Mr. George H. Duckworth (*Secretary*).

Mr. Charles Edward Brightman, called and examined.

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Mr. Brightman, in a preliminary memorandum,* had submitted:—

(1) That a scheme for a national indemnity without payment of premium is desirable.

(2) That the State guarantee should be confined to ships on the register of the United Kingdom, and their cargoes.

(3) That protection should be given for the "free of capture" clause in a Lloyd's policy. Losses from delay or deviation owing to Admiralty instructions, provided that the destination is ultimately reached, not to be compensated by the State.

(4) That notification by shipowners may reasonably be made a condition of indemnity.

(5) That the value on which indemnity may be claimed should be the insured value of the ship at the time of capture; the value of the cargo to be the value suggested in Scheme A. Cargo-owners not to lose their right to indemnity owing to failure on the part of shipowners to notify.

(6) That claims should be settled by a special Board as suggested in the draft Schemes A and B. The decision of the Board to be final, and claims to be paid forthwith.

(7) That, failing an indemnity, ships would be laid up in time of war.

(8) That neither shipowners nor cargo-owners would feel a small charge for national war insurance in time of peace, though it might be very difficult to collect from cargo-owners.

3130 (*Chairman.*) I think you are the senior partner in the firm of Turner, Brightman, and Co.?—Yes.

3131. Deputy Chairman of the General Shipowners Society; Chairman of the British Steamship Owners Association, and Shipowners' Representative on the Pilotage Board of the Trinity House?—Yes.

3132. You have had before you the two schemes A and B we have sketched out?—Yes.

3133. Are you in favour of either of those schemes, or of any scheme of the sort?—I am in favour of the first scheme, that is indemnity without payment of premium. I should very much prefer, if it could be managed, to charge a premium on the ships and the cargo from, say, after the commencement of a Bill passing in Parliament. But I have looked at that matter very carefully indeed, and although I think that it could be done with regard to the shipping, it seems to me to be absolutely impossible to do it with regard to the goods.

3134. Will you explain how you think it might be done in regard to the shipping?—I think the shipping would be pretty easy if a premium was charged the same as is done, or something similar to what is done, by Lloyd's to-day. Many owners do insure for the war risk, that is to say, for the clause which is included in the Lloyd's policy, what we call the capture clause. I think that, charging, say, half-a-crown per cent. upon the value of the shipping, you could do that with the ships well enough.

3135. And you would propose to make that compulsory on all ships?—Yes. I think if you had it optional you would find some owners who would not take advantage of the scheme.

3136. Then the fund so raised you would have accumu-

* *Vide* note, p. iii.

lated in the hands of the Government as an insurance against losses by war?—I would.

3137. Have you thought what is to be done with the money in the meantime. Is it to lie in the vaults of the Bank, or to be invested?—I suppose it would be invested.

3138. That, of course, would mean that when war broke out and the losses were incurred, the Government would be a seller of its own stocks?—I suppose so.

3139. As well as having probably to issue further new loans?—Yes.

3140. It would be inconvenient from a financial point of view?—Perhaps it might.

3141. Then you say you do not see how to apply that to the cargo?—I have thought of it very much, but I cannot see how it can be done with the cargo.

3142. You do not think it would be possible to make the charge upon the shipowner rather higher, and leave him to distribute the addition (or perhaps he would distribute the whole of it), in the form of a little increase in his freights?—I am afraid not. I think that if the shipowner was charged more than a very nominal sum you would find a very considerable opposition to it.

3143. Do you think that the shipowners would readily accept a proposal that they should be compulsorily charged, say, an eighth of one per cent. in return for such a guarantee?—Of course I have not really consulted the shipowners on the matter, and there will be some opposition naturally, as there is to everything; but when they have looked at it from all points, and see that they would be covered in the case of a war with this country, I think they would agree, provided the amount was small.

3143*. You realise, I think, that it would be necessary for the Government, through the Admiralty or through some department, to reserve the right to impose certain restrictions on sailings if they gave an indemnity?—I do, yes.

3144. Under the present system of private insurance there is nothing corresponding to that, is there?—No.

3145. An underwriter takes a risk or refuses a risk; and he takes it at one price or another, according to the measure of risk that he thinks attaches to it?—Quite.

3146. But he makes no conditions?—Only this condition, what we call the free of capture clause.

3147. But I mean, suppose he is underwriting a war risk, the underwriter to-day may charge a high premium if he thinks there is a great risk, but he does not make any conditions that the shipowner shall not sail under certain circumstances, or anything of that kind?—None whatever.

3148. Do you think that shipowners would willingly accept even a free indemnity, if it restricted their liberty to sail as and when they pleased?—I think they would, because as it stands at present the matter is a very serious one, at least that would be the idea if there was war with this country. I think they would accept, if they were indemnified, some restriction of that sort.

3149. It might conceivably, I think, in particular circumstances, be a very serious restriction on some of the trades, might it not?—It might.

3150. Even amounting, for instance, to closing the Mediterranean, or the North Sea, for a time?—Yes. Of course, that is a very extreme case, I think, but still there might be that.

3151. But your own feeling is that the risks in the alternative of their sailing without a guarantee are so great that upon the whole shipowners would be favourably inclined to the proposal?—That is my feeling.

3152. What do you fear would happen, supposing nothing is done, supposing we go on as we are now, and war breaks out?—Of course, it would depend upon the measure of risk, but if the risk was great I question whether the ships would move from the ports. I think that is what would happen.

3153. If the ships are detained in the ports, they will cost the shipowners something, will they not?—Comparatively little. If they had their crews on board, of course they would, but if they are staying there for any length of time, what the shipowner does is, he pays everybody off, and puts merely a watchman on board, and insures for port risk at a shilling per cent. per month upon his value. Probably in such a case that insurance would be more, but it would be something of that sort.

3154. That would apply mainly to ships in home ports, would it not? The cost of laying up a ship in port overseas would be much greater?—Yes, much greater, but I think the owners would prefer that to running unknown war risks.

3155. You would have to keep the crew, I suppose, then?—Yes, you would have to keep the crew in that case.

3156. On the other hand, the moment you began to lay up ships, and ships were withdrawn from the trade, freights would begin to rise, would they not?—Certainly.

3157. So that you would have a good deal of temptation to the shipowner to come out—a rising freight, and a dead charge, greater or less, going on at home?—Yes; I have thought of that. Of course, you will find men who will run risks, naturally; but the average shipowner is really only a managing owner, and probably has a small share himself in the venture. He would not feel justified in running such a risk as that. If he asked his shareholders, they would probably say at once, "You must not run that risk"; except in a few instances, I think that is what you would find would be the case.

3158. Do you think that the fact that shipping is so largely owned now by limited liability companies would make the managers less enterprising than the owners were in the old days?—I do not think so.

3159. But will they not be willing to take as great risks as owners were in the old days?—I somewhat doubt it, because you see to-day the average shipowner, or managing owner, if you like to call him so, is generally better off than the same man was in the old days, and I think that he would not be inclined to run risks, with a probability of great loss.

3160. Not so much inclined to play double or quits?—No.

3161. There was not any difficulty in getting ships for blockade running, was there, for instance, in the American Civil War?—No, there was not; but what prices did they get then? Of course, if we are going to get freights such as that, I daresay any of us would run that risk. But for anything like 10 or 20 per cent. I do not think for a moment we would do so.

3162. A 10 or 20 per cent. rise, do you mean, or a 10 or 20 per cent. profit?—A 10 or 20 per cent. rise.

3163. Do you think a 10 or 20 per cent. rise would be a very serious factor if we were engaged in a great war?—No.

3164. There would be other causes at work which would make it of small importance?—I think the rise would be probably more than that, but it might not be tempting enough.

3165. (*Mr. Llewellyn Smith.*) Rise in prices or freights?—Rise in freights.

3166. (*Chairman.*) Of course, there might be a rise in prices quite apart from the rise in freights?—Quite. No doubt there would be.

3167. It has been argued by some witnesses that the rise in prices and the disturbance of trade from other causes would be so great that what rise or disturbance is due to interference with shipping would be almost a negligible quantity?—I do not think so.

3168. You yourself are afraid of a great withdrawal of shipping from the seas in the event of a serious war?—I am. Of course, it is quite a matter of opinion, but I think that either you would have practically no captures, or you would have a very large number.

3169. Would you expect this withdrawal to take place at once, or would you expect it only if serious captures took place?—I should think that it would occur after a time; not at once, but after some captures.

3170. You are of opinion, I think, that it is impossible to make the cargo contribute to such a State insurance fund in any way?—I do not see how it can be done. If you put a very small tax upon the cargo, say something to equal what the ship would pay; if you put it, we will say, on a 6,000-ton cargo of wheat, at, say, £50. I fear even that would be un-

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workable as some of these cargoes are sold with scarcely a margin of £50; and so they would sell it, perhaps, to the Continent instead. If such a scheme could be managed, that is to my mind a perfect one, but I cannot see how it can be, so far as the cargo is concerned.

3171. But you feel at the same time that it is essential to extend the indemnity to cargo?—Yes.

3172. And therefore, on the whole, you decide to advocate, as you began by saying, a scheme without payment?—Without payment, yes.

3173. Something on the lines of Scheme A?—Yes.

3174. There may be some difficulty, may there not, in persuading other interests which might be gravely affected by war to give a free indemnity to the shipping interest only?—What other interests?

3175. It has been suggested to us that in the financial world there might be very great disturbance and very heavy losses caused on the outbreak of war. One witness suggested that the first effective sign of war having broken out with a serious enemy would be that when we presented our cheques at our bankers they would not be cashed?—I should not think that.

3176. That may be an extreme way of putting it, but at any rate there might be very considerable disturbance?—There would be disturbance.

3177. Which might have very serious results?—Yes.

3178. If a man had lost very heavily in one of those ways, it would be a bad moment to collect a little additional money from him to indemnify a shipowner?—Yes, it would, but the alternative of stopping food supply would be worse.

3179. That we cannot get over?—I do not think we can.

3180. Then, going to the scheme itself, you are on the whole satisfied, I think, with the definition that is suggested in it of the persons entitled to claim indemnity?—Yes.

3181. What would you do as regards British shipping other than shipping registered in the United Kingdom? How would you treat that?—Are you referring to the Colonies and India?

3182. Yes?—I think I should leave them to look after themselves.

3183. To arrange schemes with their own Governments?—Yes. At present the amount of their shipping is comparatively small.

3184. But probably if their own Government did not arrange schemes it would result in those ships being transferred to the United Kingdom registry?—It might.

3185. (*Sir James Mackay.*) Or it might mean the transfer of British ships to the Indian or Colonial registry to avoid the 2s. 6d. tax?—Perhaps it might do that, but I think not for such an amount.

3186. (*Chairman.*) Then as regards the losses to be covered by indemnity, I think you said just now that what you wanted to cover were the risks that were excepted from the ordinary marine policy?—Yes.

3187. Have you any observation to make on the subject of losses occurring through delay or diversion of route in consequence of Admiralty instructions?—No, excepting that I think the Admiralty should give their instructions about taking certain routes, and that if the owners did not conform to that they should not be covered.

3188. Would you cover them or not for loss due to delay? Suppose a ship was held up for two or three days by the Admiralty in consequence of enemies' cruisers being known to be in the vicinity, and suppose that both the cargo owner and the shipowner incurred a certain amount of loss by delay, would you indemnify them against that loss?—I think not. I am afraid if you are going to do that the bill would be a very, very heavy one.

3189. That would not be covered by the ordinary war insurance policy, would it?—We are covered for detention on this free of capture clause.

3190. (*Mr. Beauchamp.*) Not for demurrage?—Not for demurrage, no.

3191. (*Chairman.*) Nor for loss of market for the cargo?—No.

3192. And you would not propose to go further than that?—No.

3193. As regards the conditions to be complied with in order to secure the indemnity, do you see any difficulty in the proposal that the shipowner should notify to the prescribed Department his intention to sail, and furnish such particulars as may be required?—I think he should do that.

3194. There would be no difficulty in the shipowner doing it?—No.

3195. Upon what value do you think we ought to pay losses?—I think that it should be upon the insured value, unless it is shown that that value is excessive, and I should think that probably a Committee of four or five should judge whether that was an excessive amount as compared with what other ships were insured at at that particular time.

3196. By the insured value I take it you mean the value for which the ship is insured for ordinary marine risks?—Yes.

3197. Let me just ask whether you would allow the shipowner to take out a further policy against war risks if he had already a State guarantee?—No, I would not.

3198. Would the shipowner be content to sail without knowing for certain what value he would receive if his ship were captured?—This is arising out of my last answer?

3199. Yes?—I think so, because I think there would be confidence in a Committee appointed for such a purpose.

3200. The practice of the trade is, is it not, always to insure for a definite sum?—Yes.

3201. And it is also the practically universal habit of the trade to pay that sum without question if a loss is incurred?—Certainly.

3202. That insurance very often is the basis of a good deal of the finance of the trade, is it not, that the owner of the cargo, possibly even the owner of the ship, has advances against his property on condition that it is so insured?—Yes.

3203. Especially with the cargo owner?—Yes.

3204. Do you think that bankers and others who do this business would be content with the knowledge that there was an indemnity, but an indemnity which did not exactly fix the value of the goods, which left the exact value of the goods to be fixed after the loss?—That is a difficulty, but I do not know why they should not, if they got a Committee whom they could trust.

3205. I am not asking for individual names, but would you give me an indication of the sort of Committee that you think should be appointed?—I think purely commercial, say, perhaps, a shipowner, a merchant, and a member of Lloyd's. No doubt you would have to have someone from the Board of Trade, and perhaps, one other commercial man.

3206. Do you think the award of such a Committee as that would be accepted as satisfactory to all concerned?—I think so.

3207. You would allow no appeal?—No appeal.

3208. On any ground whatever?—None, on any ground whatever.

3209. As regards the value of the cargo, you think it would be reasonable to take that as the value of the cargo at the port of shipment, plus insurance and freight to the port of destination?—I think so.

3210. You have already told me that you think it quite reasonable that the Admiralty, or the Government, through whichever department of the State was concerned, should issue instructions to the shipowners, compliance with which should be a condition of the payment of the indemnity?—I think so.

3211. Assuming that a ship is lost through non-compliance by the captain with those instructions, what would you do with the holder of cargo in that ship? Would you indemnify him or not?—I think he ought to be indemnified, because he has had nothing to do with the shortcomings of the owner or the captain.

3212. Then suppose the shipowner said, "But I too have nothing to do with that; my instructions to the captain were to obey whatever orders he got from the Admiralty; he disobeyed me as well as the Admiralty," would you hold him responsible for his agent, or would you indemnify him, too, under those circumstances?—I think he should be indemnified. At the present time

we are in a large number of instances not responsible for the acts of our captains.

3213. Under ordinary insurance policies?—Under ordinary trading.

3214. (*Mr. Lindley.*) There is a special clause inserted to meet those cases in charter parties?—Yes.

3215. (*Sir James Mackay.*) But also under insurance policies?—Yes, that is so.

3216. (*Chairman.*) Do you attach great importance to the prompt settlement of claims?—I think so.

3217. Must that settlement be in cash?—I think so.

3218. I think one of the witnesses, if I remember rightly Mr. Charles Booth, before the Commission on Food Supplies, said that he did not attach so much value to having the payment made in cash if the shipowner at once got a negotiable security from the Government. You think it must be in cash?—I think it would be a great deal better to be in cash. I think it would be an inducement for the owners to, perhaps, agree to terms that they might otherwise not do, because the Government settle many things with shipowners very slowly.

3219. It has been suggested to us that great difficulty might arise in some cases from the war risk being covered in a different quarter to the marine risk; that, for instance, a case might occur where a ship was undoubtedly lost, but where there was no evidence to show whether she was lost through an act of war or through a marine peril?—Yes; we have that now. Whenever there is a war there is always that staring one in the face.

3220. But very commonly now, I suppose, the same parties would have underwritten both the risks?—No, I do not think so. They might, but not necessarily.

3221. In your experience has much difficulty arisen from that?—None whatever. Of course, up to the present we have never had payment. As a matter of fact I did previously insure my firm's ships for war risks, but I have never had to call on the underwriters for anything.

3222. And you have not been engaged, not as one of the belligerent nations, but in shipping that was at risk; for instance, in the Russo-Japanese war?—Yes, I have.

3223. I suppose such a case might have occurred then?—Such a case might have occurred then.

3224. But as far as you know those cases have not led to any practical difficulty?—No.

3225. It has been possible to settle on whom the risk should fall, without prolonged litigation?—I think so.

3226. (*Mr. Llewellyn Smith.*) Is the 2s. 6d. per cent. that you would charge calculated per annum or per voyage?—Per annum.

3227. It would be really a tax of one-eighth per cent. on the value of British tonnage?—That is it.

3228. And that would be payable during times of peace, of course?—Quite.

3229. Supposing such a tax had been put on at the close of the Napoleonic wars, shipowners might have paid it for a century without getting anything out of it, might they not?—Yes.

3230. Do you think that would give rise to a good deal of discontent if it was compulsory?—I do not think it would, if the amount was small. If you put it from the Napoleonic wars of course the amount collected would be large; if you make it even a shilling per cent., it is always something; if you take it upon the value of British shipping at 2s. 6d. per cent., it would be about £275,000 a year. That might be considered too large an amount, but that is a pretty fair sum to start with every year.

3231. If you had a big ship worth £100,000 she would be paying £125 a year?—That is it.

3232. You anticipate a great rise of prices as the consequence of a war. In your opinion would that be due to the actual risk of capture or to a panic? The two things are not quite the same, are they?—Not quite the same. I think it would be probably due to both, but more to the idea of capture.

3233. You do not attach much importance to a baseless panic, a panic that really is not justified?—I do not. Of course, that would probably have to be taken into account.

3234. It has been put to us that at the outbreak of a war, when everything was very uncertain, and we had not had enough experience of the real risk of capture, insurance rates might go up enormously: that it would be all speculative; but that things would settle themselves after a few months?—That is not my opinion.

3235. You think that the real risk would increase?—I do.

3236. You suggested that ships would be laid up because of the risk, but would there not be underwriters who would take that risk? The actual risk would not fall on the shipowner, for I suppose he would always insure, would he not?—Yes, but the difficulty would be, if there was an enormous number lost, whether any association could bear such a loss.

3237. You think it might not be possible to insure, that the risks might be refused by underwriters?—They might be refused, or they might be taken, but I do not think any association could bear such a strain with a large number of captures.

3238. Do you mean if our Fleet was defeated?—Yes.

3239. There would be so many other risks then, would there not?—I mean if there was any very large amount to pay it would be questionable to my mind—I hope gentlemen from Lloyd's will not mind my saying it—whether Lloyd's could stand it. That is just the feeling with shipowners.

3240. The liability for the State would then be very large?—It would be large.

3241. It has been suggested that instead of putting on a peace tax there should be a charge made for the indemnity when a war breaks out, say that we should have 2½ per cent., or 5 per cent., or whatever it may be?—But for that to be of any use you would have to charge a very large amount.

3242. In order for it to be self-supporting?—Yes, I think so.

3243. You would put the rate of risk pretty high?—I should.

3244. It would depend on the character of the war, of course?—Naturally.

3245. (*Mr. Huth Jackson.*) I think that of the two schemes that we put before you you would prefer as a scheme the free policy rather than the purchased indemnity, but you would like to see, if possible, some modification of that by charging during peace a premium on the tonnage per annum?—That is so.

3246. But of these two schemes that are put forward Scheme B, to come into operation in time of war, I understand you do not think would be feasible?—I do not say it would not be feasible, but I think that to be any use at all you would have to charge a very high premium then.

3247. With the idea of accumulating sufficient funds to meet the losses; is that it?—Quite.

3248. But, of course, as you know, the idea was not so much to make the premium commensurate to the risk, but it was more to make the shipowner and the cargo owner pay something. Would that modify your opinion?—That would, of course, to some extent, but to my mind the scheme charging from now would be much more acceptable.

3249. Then you would charge an eighth per cent. on the registered tonnage?—No, on the insured value.

3250. On the marine insured value of the shipping?—Yes.

3251. Would you apply that to steamers as well as to sailers?—I would.

3252. You do not think from your experience that the insured value would in some cases be more than the actual value?—In many cases it would be more, but I think it should be on the insured value, unless that insured value is shown to be considerably above what is the ordinarily insured value for similar vessels at that particular time.

3253. It has been suggested by some witnesses that it might be on the cost of the steamer or the vessel, less so much per annum for depreciation?—I should prefer the other.

3254. Then you would include sailing vessels as well as steamers?—Yes.

3255. And you would charge the same rate for both?—The same rate.

3256. You suggest an eighth per cent.?—I merely suggest that because I think that is Lloyd's premium.

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3257. Then you anticipate that if nothing of that kind is done it is quite possible that a certain quantity of the shipping might be unable to sail in time of war?—I do.

3258. And you have indicated that if there were very considerable losses it might be possible that the policy of insurance would not be accepted by the bankers, who are expected to finance, we will say, the cargo, because the losses had been so much that the security of the policy was no longer a good one. That is so, I think, is it not?—I think that would be so, and that, of course, is a great objection.

3259. That would be an argument in favour of some form of national indemnity?—Yes.

3260. With regard to the crews of vessels, could you give any indication as to the proportion of Naval Reserve men now in the mercantile marine?—Do you take in tramp steamers, for instance?

3261. Yes. Is there any means of ascertaining the proportion of Naval Reserve men in the mercantile marine?—I am afraid not, but I should think it is a very small proportion indeed.

3262. And what proportion of foreign sailors would there be in the mercantile marine?—I do not know. The Board of Trade have got those figures, I believe.

3263. Would there be any risk of British ships being unable to sail in time of war, first of all by the withdrawal of the Naval Reserve men, and, secondly, by the withdrawal of foreigners?—I think there would be a great difficulty.

3264. And that difficulty no scheme of insurance would be able to get over?—No. We have not got to-day nearly enough British seamen for the mercantile marine.

3265. Then you indicated that you thought the cargo owner ought to be indemnified, even if the captain of the steamer or sailer, by disobeying the orders of the Admiralty, had forfeited all claim to indemnity?—Yes.

3266. But I think you went further than that and said that the shipowner ought also to be indemnified if he could prove that the captain had disobeyed his own orders?—Yes.

3267. Would not that in most cases practically mean that the State would have to pay under all circumstances?—No, I do not think necessarily so.

3268. You could hardly imagine a shipowner saying that he authorised his captain to go in the face of the Admiralty orders, could you?—I suppose one must always think, at all events, that people are honest. That you will find some such as those you have in mind I dare say, but I do not think that would be so with the majority; and of course it is one thing to say a thing and another to prove it, and they must prove it.

3269. That would lead to considerable delay?—That might, but I think you would very likely find that the captain, to save his own skin, would peach on the owner if there was anything of that kind.

3270. You do not think the owner of the steamer ought to take all responsibility for the man whom he is employing as the captain of his vessel?—I will not go so far as to say that that might not be put into one of the schemes. I think perhaps it would be, but if you ask my opinion I think that the owner should be exonerated from all blame if the captain has done something diametrically opposed to his instructions.

3271. (*Mr. Lindley.*) Do you attach any special importance to the valuation you have put in the policy, the value of the ship at the time of capture?—You see, you must have some value, and I think an owner should be indemnified, generally speaking, for his insured value, the same as he insures now at Lloyd's, unless that insured value were more than is the usually insured value of ships at that time. The insured value, as of course we know well enough, is not necessarily the real value. But still I think that an owner would not be content to take what you might call the real value.

3272. Might not that be met by giving the owner a right to effect a further insurance over and above the guarantee?—I am afraid you might have complications between the two if you had two policies.

3273. Why, if the one is only to come into force over and above the guarantee?—I think you would.

3274. You have it done nowadays constantly where a vessel is insured all risks in a certain sum, and a certain further sum is done on disbursements?—Yes.

3275. A similar thing could be done here?—This would be a Government guarantee.

3276. Yes, precisely, but a Government guarantee for the actual value?—I think you would have complications between the two.

3277. Do you anticipate any difficulty in fixing the actual value?—None whatever.

3278. Then if that is the case you have to fix it to ascertain whether the insured value is too much or too little, have you not?—But where would you bring in the Lloyd's policy apart from the Government?

3279. Leave the shipowner to make his own bargain with the underwriters for any further policy he took out?—Any further policy beyond what?

3280. Beyond the guarantee. Suppose, for instance, the actual value of the ship is £20,000, and he gets that from the Government, and he takes out another policy for £5,000 on disbursements, do you see any objection to that?—My difficulty is this: Not only do I think there would be complications, but I do not think you would get the owners for any very large amount to think that their security in insuring outside the Government would be good enough in the event of a great war; I will put it in that way.

3281. It would only be to a small amount, if it is only the excess?—But that would be a very large amount in the aggregate.

3282. In the aggregate, yes. Then, in answer to the Chairman, you said you thought there should be no appeal against the decision of the Committee appointed to deal with any question of claims?—I did.

3283. Do you not think that might cause some difficulty with the owner, and the same with regard to the State, too, taking away the possibility of appealing to the Law Courts in the event of a dispute?—I think it would be far better to have the thing settled once and for all.

3284. You think that that, being a condition of the free indemnity, might be enforced?—I think so.

3285. (*Mr. Beauchamp.*) You think that, failing an indemnity, ships would be laid up in the time of war?—I think so.

3286. But that would not be the case so long as they could be insured, would it?—No.

3287. So long as the insurance could be carried on, the vessels would not be laid up?—I think not.

3288. I think you do insure your ships against war risks?—I have done. I am not doing it at the present time.

3289. Then there are Protection and Indemnity Associations, which cover that risk?—Yes; there are clubs which issue policies in time of peace, but the clubs are supposed to be inoperative until time of war.

3290. Inoperative till the time of war?—Yes.

3291. Then what is the advantage of those if they are inoperative? Do not they charge a premium during the time of peace?—One with which I was connected charged £1 per boat per annum, so I leave you to judge whether that would be much use. In fact, candidly, I do not think that the members of the clubs would stand paying for these risks. Of course, coming upon the whole of the shipowners, which would not be likely, it might be different, but, otherwise, with the club you would get people who, when the time came, would say, "This particular shipowner is running a risk; he is going to parts of the world where he is likely to be captured, and I am in parts of the world where it is absolutely impossible for me to be captured, and therefore I shall not pay towards his loss." So far as the clubs are concerned, I am not an advocate for them in that way.

3292. I have here the rules of one of the clubs?—Is that the "North of England"?

3293. Yes. A large number of steamers are entered in that club for war risk?—I was entered, too, in one of them. I do not know what the "North of England" is, but probably something similar.

3294. In the "North of England" they charge 2d. per cent. upon the value entered in Section A?—Of course, that is more than the £1 I previously named.

3295. Then they limit themselves as to the amounts for which they are liable in the event of war. I see that no member can be called upon to pay more than 2s. 6d. per cent.?—I do not know the rules of the "North of England" in the matter, but some who do take the risk impose such conditions that really it is scarcely a war indemnity at all.

3296. And do you not think that these clubs would be able to cover the risk of war in the event of a war occurring?—I do not think they would get their members to agree to it, because, as I say, those who are in trades where the war is likely to affect them will naturally want to be covered, and those who are not will not, and will not pay for those who do.

3297. (*Mr. Lindley.*) That means an exodus from the club?—I think so, unless the war risk is separated from the others, as it probably would be.

3298. (*Mr. Beauchamp.*) You have expressed the opinion that Lloyd's would not be able, perhaps, to pay the losses in the event of a great war. I suppose you did not mean to confine yourself strictly to Lloyd's; you used the word "Lloyd's" as embracing the insurance world?—Quite.

3299. With regard to the valuation, if there is the registration fee which you suggest, whether it be 1s. or 2s. 6d., there would be no difficulty, when the ship was registered, in fixing the value, would there?—Except that, of course, a man might insure for double his value.

3300. But then the Department would be able to agree with the owner the value of the ship at the time at which it was brought in, would they not? I mean to say when ships are insured in clubs there is always a valuation fixed, is there not, on a certain day?—Yes, but then this is rather different. I think, where the Government will have to pay. Where there is an agreement between an underwriter at Lloyd's, or an insurance company, and the owner, that is an agreement between two people, but I think that, so far as the Government are concerned, they should take more steps to discover the proper value than what is done to-day by Lloyd's or the insurance companies.

3301. But the owner would, under your scheme, have to pay during time of peace a small war premium, and there would be no great object in his fixing the value very high during time of peace, would there?—No, perhaps not; but I should prefer it the way I put it, because I dislike disputes, and I think it is best to come to a decision at once what it is to be. In the case of steamers built when war was imminent, values on such might be excessive.

3302. But then there are a large number of steamers which are not insured at all, which run their own risk?—Quite so, and, as I have stated, I think the amount which they should insure for should be the amount which is a fair marketable insurance amount at that time.

3303. Then you laid it down very strongly that there should be no appeal against the decision of the Board of Claims, as we call it?—I do. I think you will have the Law Courts full if you have it the other way.

3304. But there might be a case where the Board of Claims would say: "This is not a war risk, and therefore we will not pay you." Then the owner would proceed in a Court of Law against the underwriters on the marine risk, and the law would decide that it was not a marine risk. Then the man would fall between two stools, because he could not take the Government into the Court of Law, as there would be no appeal?—Personally, I should have sufficient confidence in such a committee as I have named, quite as much as I should have with judges of the land.

3305. Yes, but you see the man is left in this position: He has a right of appeal in one case, but he would not have the right of appeal in the other?—That is so.

3306. Therefore, it would not seem to be quite equitable to deprive him of his right of appeal?—I think he would get justice.

3307. (*Sir James Mackay.*) Would it not be a little hard on vessels which had paid their insurance for, say, 20 years during peace, and rather advantageous for a new ship coming on the year before a war broke out?—Yes. Well, we never know when war is going to break out.

3308. You say you insured against war risks for some time?—I have done so. I am not doing so at the present time.

3309. Why have you given it up?—Simply because my own opinion is that war is not near. I may be wrong.

3310. Would it not be a little hard to force all shipowners to begin insuring at the present time. It would be a little hard on yourself, would it not?—I do not think so. You cannot have it every way.

3311. Would it not be rather a handicap on British shipping as against German, to force the British shipowner to insure against his will?—I do not think it would.

3312. For instance, you would have to insure against your will, while the German shipowner would not be forced to insure. He would do his business on business-like lines?—The amount would be so small, that is the reason I put it at so small an amount, and if you like you can put it at less than that.

3313. Take the P. and O. Fleet. I fancy the P. and O. Fleet must be worth about £6,000,000?—Yes.

3314. Two shillings and sixpence per cent. on that would be something like £7500 a year, would it not?—Yes.

3315. That would be rather a serious tax to force the P. and O. Company to pay, would it not?—What, to be indemnified against the risks of war?

3316. Yes?—I should have thought not.

3317. Would it not be better to have it in their own pocket for, say, 20 years, and then take care of themselves when war broke out?—I do not think so. Suppose one P. and O. boat was sunk in the war.

3318. She need not be sunk unless she likes. She can take care of herself. She can lay up?—She can lay up, yes.

3319. Or she can insure. If she cannot insure, of course it is quite evident she would lay up, because the risks would be so great that she would not take them?—Yes, but I lay stress on the point that I do not think any ordinary insurance is sufficiently solid.

3320. You want to make this compulsory on all shipowners?—I do not think you can make it compulsory unless you make the goods compulsory. I say that is the scheme which I prefer, that you shall make it compulsory on the ships and make it compulsory on the goods.

3321. But then you say you cannot make it compulsory on the goods?—Then I would not make it compulsory on the ships.

3322. I thought you said, in reply to the Chairman's question (No. 3135) that you would not give them the option?—No. My remarks were that I think the scheme should be that both should pay, but I cannot see how it can be done with regard to cargo, and therefore, as it cannot be done with regard to the cargo, I do not think it would be fair to do it with the ships.

3323. Then you would not make it compulsory on the ships to insure?—Not unless you do it with the cargo.

3324. And you do not see your way to do it with the cargo?—I do not think so.

3325. Therefore you come to the conclusion that it should be optional?—When you say optional, do you mean optional to insure with the Government?

3326. Yes?—No. I would have the indemnity.

3327. Then you would have the free indemnity?—Yes.

3328. You would make no charge?—No.

3329. Practically then you rule out your 2s. 6d. per cent. scheme?—I rule it out, for the simple reason that I do not know what to do with the goods. As before stated, if such a scheme could be worked for both to pay premium, to my mind, it is the best, but I cannot see how you can bring in the goods.

3330. And you go for free indemnity?—Yes.

3331. (*Sir George Clarke.*) May we take it then that all compulsion is thrown out practically. We come to free indemnity without any payment on the part of anybody?—Yes.

3332. In the event of war on any large scale there would be a large shortage of shipping, because many ships would be laid up?—Yes.

Mr. C. E. Brightman.

4 June 1907.

3333. Do you anticipate large rises in freight?—There would be, of course.

3334. Very large rises in freights, probably?—Probably.

3335. Also there is no doubt, I suppose, that in the event of a war in which we are engaged, the Admiralty will take a very large amount of tonnage for transport purposes on very advantageous terms?—Yes.

3336. You also think that every interest would suffer badly in a great war?—Yes.

3337. Would not the free compensation of one section of interests be likely to be regarded as most inequitable by the community at large?—Yes, it probably would.

3338. Then you do not propose to indemnify ships or cargo belonging to India and the Colonies?—No; I cannot see very well how they can be brought in.

3339. If you excluded them, would not that be rather a severe blow at the whole conception of the Empire?—I have thought of that. Personally I think that the Colonies and India cannot easily be brought in to either scheme.

3340. It would touch some sentiments rather strongly?—I am afraid it would complicate the matter very much if you brought them in.

3341. If there was the great rise of freights that you anticipate, it would be possible to stand a considerable rise in insurance premiums?—Yes.

3342. And, therefore, there is no case for indemnity at all, unless the premiums rose to quite exceptional heights?—Yes, but I come back to what I have stated once or twice, that I do not think the indemnity would be considered under such circumstances to be sufficient by the owners.

3343. (*Chairman.*) Not a State indemnity?—No. The question is that we could insure the risks.

3344. (*Sir George Clarke.*) No. My point is that unless the normal insurance rose to very exceptional rates there is really no case for indemnity, because with the higher freights you are going to get you could stand a considerable rise of the market rates of insurance?—Yes, but then when we have insured we want our money. I do not consider that Lloyd's and the Companies in a great war could stand such a drain as there would be.

3345. That view demands that there should be an enormous number of captures?—Yes.

3346. Supposing the captures were not very large, do you think, as some witnesses have told us, that there might still, owing to scares, be such violent fluctuations in the insurance market as to tend to lay up shipping?—Yes.

3347. You think that?—I do.

3348. I think you admitted that if ships which had disregarded Admiralty instructions could claim indemnity, those instructions would be practically useless?—Yes.

3349. You admit that?—Yes.

3350. Would there not be rather a strong inducement to disregard those instructions if you could get your cargo into a place where it was wanted very quickly?—I said that the ships should follow the Admiralty instructions.

3351. Yes, but still if their captains did not, for any reason, they would still get their compensation?—Yes.

3352. Is there not rather a strong inducement to disregard, or might there not be?—Of course, one might say something similar with any insurance now.

3353. Would you rather have some system of insurance as indicated in Scheme B than nothing? That is a scheme under which insurance rates would be paid on both the ship and cargo?—On payment of a premium?

3354. Yes?—It is assumed that that premium is payable only when war is declared?

3355. Certainly. Would you rather have a scheme of that kind than nothing?—I think I would.

3356. Your objection to that scheme generally is that the premiums must be very high?—Yes.

3357. If they were not very high, say about 2½ per cent. on the longest voyage, do you think that would be a prohibitive rate?—No; but I should think it would be a very great deal more than that.

3358. Of course, that would depend entirely upon the efficiency and sufficiency of the Navy?—Yes.

3359. (*Chairman.*) As regards the probability of shipowners generally being willing to bear such a charge as you suggest, there is a good deal of complaint at the present time, is there not, among shipowners at the charge made to them for the lighting of the coasts?—Yes.

3360. Would not your charge amount very nearly to the same sum annually on the shipping of the United Kingdom?—Yes, I daresay it would. I do not know exactly what that would come out at. The light dues I should think would be more.

3361. We had the value of the shipping of the United Kingdom put to us by Sir Robert Giffen the other day as £212,000,000 sterling. An eighth per cent. of that would be £265,000, and I think the present produce of the light dues is just about £300,000?—Yes.

3362. With the experience of the dissatisfaction felt by shipowners at the light dues, are you not a little afraid that they would be disinclined to contribute this sum?—I daresay some would be disinclined. They have always said, as you know, that the lighting should be done by the Country, and it is done in every Country but this and Turkey. It is not so much, to my mind, really the amount; I think it is the principle that they are so strong about.

3363. Still, year in and year out they get something in return for paying light dues, and year in and year out they might not get anything in return for this tax?—No, but the fact of their being indemnified in that way I think is a very considerable one for the shipowners. But, as I said before, I think the shipowners would very strongly object, and I do not think you would carry it through, unless the goods bore their proportion of it. You see in my scheme here I state distinctly that the two are bound up together.

3364. Yes. Then just to make that perfectly clear, your view is that it would be desirable to make some charge to both shipowners and cargo owners for the indemnity if it were possible?—If it were possible.

3365. Your view is that it is possible in the case of shipowners, but not in the case of the cargo owners?—I do not see how it can be done. There would be the cry of Protection at once, for one thing.

3366. And in your opinion the two must stand together?—I think so.

3367. And if one is charged both must be charged; if one is free both must be free?—I think so.

SIXTEENTH DAY.

Tuesday, 11th June, 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Captain C. L. OTTLEY, R.N., M.V.O.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. HARRY RISCH MILLER, called and examined.

Mr. H. R. Miller.
11 June 1907.

Mr. Miller, in a preliminary memorandum,* had submitted:—

(1) That there is a strong feeling among shipowners in favour of some form of National Guarantee against war risks.

(2). That the value on which losses of ships should be paid should be their approximate market value in addition to some allowance for interest on capital. Owners to declare values yearly to Government.

(3) That merchants should be compensated for loss of cargo, though it would be very difficult to give compensation for cargo equitably.

(4) That shipowners and cargo-owners should be on the same footing if contributions are demanded by the State, but that difficulties in the way of collection from cargo-owners are so great that it is probably better to make the indemnity gratuitous for both.

(5) That, failing an indemnity, transfers of British shipping to a neutral flag might be attempted, and, if successful, the practice would be largely extended.

(6) That rates of premium in war time would be prohibitive, and the market for war risks limited.

(7) That Admiralty control should be an essential part of any scheme of State Indemnity.

(8) That the effect of such a control upon freights would have to be considered.

(9) That the decision of the Board of Claims should be final.

(10.) That Scheme A is to be preferred to Scheme B.

3368. (*Chairman.*) You are a member of the firm of Thomas R. Miller and Son?—Yes.

3369. Your firm are managers of the United Kingdom Mutual Steamship Assurance Association?—Yes.

3370. Will you give me some idea of the scope of your Association?—The scope and object of the Association is to protect shipowners against risks that they may run by virtue of their being shipowners, third party risks in respect of certain matters set out in the rules, such as loss of life, personal injury, damage to other ships, damage to piers, loss of cargo, and all matters of that kind.

3371. What amount of tonnage is represented in the Association?—Not quite 2,000,000 tons, but approximately that.

3372. So that you are in constant business connection with the owners of a large quantity of shipping?—Yes; we are continually coming into contact with a large number of shipowners.

3373. You know the nature of the reference to this Committee?—Yes, I have read the submission.

3374. Have you formed any opinion as to the views of shipowners generally on the subject?—Yes. I might perhaps explain that about the time of the Fashoda incident, we summoned a large representative meeting of shipowners to ascertain their views on the subject of whether or not it was desirable to form an Association for covering them against war risks. That meeting represented a very large tonnage—I should think between 15,000,000 and 16,000,000 tons probably. The views expressed at that meeting were that it was a matter really that the State should take up, and either pay them for their losses or formulate a scheme of insurance. One of the ideas was that it was impracticable for shipowners themselves to do this, partly because the losses might be heavy, and partly because they thought it was a duty which the State owed to them, inasmuch as they carry the food of the country, and the country was dependent upon them for their supplies. The strong opinion expressed at that meeting was that the State should insure them against the risks which they would run in time of war. From that meeting, and from subsequent discussion with shipowners, I have formed the opinion that the general view of shipowners is that the State should do something rather than that private enterprise should take it up.

3375. Was the shipping represented at that meeting drawn from all over the United Kingdom?—To a great extent, but it was mostly cargo boats, as distinguished from liners.

3376. But not confined to the Port of London?—No, not by any means.

3377. You say that one of the grounds on which the opinion was expressed that the State should undertake to give an indemnity was because they were engaged in bringing food to this country?—That was one of the grounds on which they thought the State owed them a duty.

3378. Did they suggest that the indemnity should be confined to vessels which did bring food or raw material?—No, the matter was not gone into from that point of view. We were discussing it from an insurance point of view, purely questions of amounts of premium and questions of cover, and that sort of thing. But that was a view that was expressed incidentally.

3379. Do you think it would be practicable, supposing we had a scheme, to make any distinction between different kinds of cargo?—It would be very difficult, in my view.

* *Vide* note, p. iii.

Mr. H. R. Miller.

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3380. On the whole, therefore, you would advise that any scheme should contemplate treating all cargo alike?—I think so. Of course, one could make a distinction, but I think it would be difficult.

3381. Assuming that we have such a scheme, will you tell me what, in your opinion, would be the proper way to fix the value of a ship for the purposes of the indemnity?—In my view, an owner ought to be content with what he would recover as if he had in fact insured his vessel against war risk, and the usual practice in that case would be to declare a value at the commencement of the period in which you obtain your policy from your underwriters. For instance, if I have a twelve months' policy, as distinguished from a voyage policy, then at the beginning of those twelve months I declare the value of my steamer, and, if my steamer is totally lost, apart from any total loss policies I may have, I recover that value. That is a value that I am content to insure my vessel at, and therefore I think that if at any arbitrary date in the year the owners were to declare to the Government a value, you could pay them that value if the vessel were captured or lost by war risk. I do not think it would be fair to wait until the ship is seized, when the values might be very much higher, owing to circumstances, or might be very much lower.

3382. And you would therefore suggest that at the commencement of every year the shipowners should declare the value of his ship?—Yes. I think that would be the fair way.

3383. And that that should be the agreed value as between the State and himself for the ensuing twelve months?—That is so.

3384. I gather you would make the scheme compulsory on all shipowners?—Well, if an owner did not declare his value he would become his own underwriter. I think he would be only too pleased to declare his value. I do not see why it should be made compulsory. I think it is an advantage that the State ought to offer, and that the owner would very willingly take.

3385. (*Sir George Murray.*) Would there be no check on his valuation?—My idea is this, that if the Government had any reason to think that his value was too high, or that it was a fictitious value, or anything of that kind, you might have an Assessment Committee, and the Assessment Committee might call upon him to prove his value, or to have it submitted to the Assessors, and let the Assessors settle it. It would be a very simple thing, I imagine.

3386. (*Sir James Mackay.*) Are you contemplating a payment in return for the indemnity?—No, not in the scheme I am speaking of just now. You mean a contribution by the shipowner?

3387. Yes?—No, I was not thinking of that for the moment. Still, you could pay your premium on that value in the same way as you pay your loss.

3388. (*Chairman.*) Your object, you say, would be to practically return to the shipowner the value for which he would ordinarily insure his ship?—Certainly.

3389. Against marine risks?—Against marine risks.

3390. Would you allow him, if a national indemnity were granted, to insure himself for a further sum privately?—Yes, I think so.

3391. Might that not lead to serious frauds in some cases?—Personally, I do not think so, because at the present moment the owner, if he is so disposed, can insure his ship. Let us say her value is £40,000; he may insure her for £40,000 and have some honour policies in addition to that. It does not necessarily lead to fraud, because of those honour policies.

3392. One of the checks which now exist would be absent if he made no payment in respect of the State indemnity?—Yes. It might perhaps be desirable to limit his cover to the amount that the State affords him.

3393. The object of any scheme of indemnity must be that the ship and the cargo should arrive safely here?—Yes, obviously.

3394. If you make it possible for the shipowner to recover—I will take an extreme case—the full value of his ship, without payment of premium from the State, and on payment of premium to an underwriter to recover the full value in the market a second time, would that not be rather dangerous?—Of course, it might be, but if the owner has to comply with the regulations that are issued by the Admiralty, if you made that a condition, as I presume you would, then I do not see how any danger on that score could arise, because if the ship were lost in the ordinary way by running on a reef, or grounding, or anything of that kind, naturally no indemnity would be payable. But if the loss occurred after compliance with the Admiralty requirements, I do not see how any idea of fraud could come into it.

3395. I suppose the Admiralty requirements must necessarily be fairly general?—Yes.

3396. They would probably indicate that particular routes or particular places were unsafe or banned at particular moments?—Yes.

3397. But, keeping within those requirements, there would still be room for great discretion on the part of a captain?—Not within the hostile area. A ship coming from the Plate might perhaps safely get as far as Las Palmas, and would not be in any very great danger. After she got to Las Palmas she might be in a very dangerous zone, and then strict compliance would be necessary.

3398. But even at the moment when she was sighted by the enemy, supposing she was unfortunate enough to be so sighted, a good deal might depend on the courage, the enterprise, and the discretion of the captain?—Taking the ordinary British captain, as I know him, I think, as a rule, he would want to get through. He would not want to throw away his ship.

3399. On the whole, therefore, you are not afraid of such a scheme leading to fraud?—Of course you cannot prevent fraud if one has an intention thereto, but I cannot see that such a scheme would necessarily open the door to fraud.

3400. Or, short of fraud, to carelessness involving the State in unnecessary loss?—I do not see why it should. I think, on the contrary, those in charge of the steamer would be rather proud of their achievement.

3401. It has been put to us by some witnesses that the shipowner never makes so profitable a voyage as when his ship is lost?—That entirely depends upon circumstances. Ships are a most extraordinary investment; you will sometimes get two ships—sister ships—for which practically the same amount has been paid, and one always makes money while the other never does. It is a most extraordinary thing.

3402. Then I turn to the cargoes. I presume, from what you have already said, that you would include the cargoes in the indemnity?—The cargo coming to this country, yes.

3403. But you would not extend the indemnity to cargoes going elsewhere?—No. Why should we?

3404. Would it not be equally important, both for our mercantile marine and our trade as a whole, that we should secure the free exit of our manufactured produce? Is not that as important to us as to secure the free entry of raw materials?—I only had in contemplation cargoes coming to this country or the Continent. But exports, of course, we should protect.

3405. But you would not give any indemnity to cargoes in British ships going to Continental or colonial ports?—Presumably they would not be subject to capture. I do not know quite whether that is so, but I would not, even if they were.

3406. Your object being to secure the supplies for this country to maintain its trade?—Yes.

3407. Would it seriously affect the shipping, especially the tramp shipping, if the indemnity did not extend to all their voyages? To make my meaning clear, perhaps I may add something. Do not a good many tramp steamers practically make a circular voyage, and their power, say, to bring corn from America here, really depends not merely on the freight they get for that, but on the freight they have got on an outward voyage and a continuous voyage which eventually takes them to New York?—What they call, in ordinary parlance, a round voyage. The outward freight may not pay, the homeward freight may pay, or *vice versâ*, and taking the round voyage the voyage pays, but any individual part of it perhaps not.

3408. Yes. Suppose, therefore, half the round voyage was not covered, would that make a serious hole in the scheme?—No; that ordinarily happens with tramp steamers—those that do not run on regular lines. I am not speaking of those tramp steamers which are semi-liners, if one may use that expression, those that

go regularly on more or less mapped-out routes, but a vessel, say, that carries coal to Genoa and brings back corn from the Black Sea. It may be that the outward voyage may be good and the homeward voyage bad, or *vice versâ*. It is obvious that that vessel must be protected on the way out, but the cargo on board that vessel is a different thing.

3409. You do not think it would be necessary?—Of course, if the cargo owner said, "Look here, I am not going to put my cargo on board your ship unless you, as a shipowner, insure the risk," it might be necessary to insure the whole venture.

3410. So far we have spoken on the assumption that the indemnity was to be given free?—Yes.

3411. If we were unable to recommend that, do you think that shipowners as a body would be prepared to contribute in return for such an indemnity?—Yes, as a body I think they would. Of course, there are always some people who would object, but I think, knowing the shipowners as I do—that is to say, the tramp or cargo boat owners—taking them as a whole, they would be prepared to contribute something.

3412. To contribute in peace time?—Of course, I mean in peace time.

3413. With a view to accumulating a fund to meet losses?—Yes.

3414. Have you formed any idea in your mind what sort of contribution we might reasonably expect to get from them?—It would have to be in the nature of a premium such as one would pay for war risks in ordinary time of peace, and, of course, trade has such a lot to do with that. If you give certain warranties as to trade and so on I should presume—I am not an underwriter, so, of course, I do not know—you might be able to get a different rate of premium, trading, say, to America and back, from what you would trading to the Baltic and back. It might be that the rate of premium to America and back would be less than to the Baltic and back.

3415. Would it in ordinary times of peace?—I say it might be. I do not know. I am not sufficiently expert in underwriting to express an opinion upon it.

3416. Suppose we proposed a charge of an eighth per cent. on the agreed value?—I do not think anybody would object to that. I think that ought to be on the assumption that the cargo also contributes some thing. That would be rather a difficult matter.

3417. It is much more difficult to find a means of assessing a charge on cargo, is it not?—It is much more difficult to find a means of assessing it, and so many other questions are involved. The mere question of collection of the amount I do not think is at all difficult.

3418. (*Sir James Mackay.*) You could not charge the cargo per annum, of course?—No, you would have to charge each cargo as it came in. You would have to make the broker, or the Custom House, or some department, a tax collector.

3419. You would want different rates for different districts?—You would require to have certain cargoes classified. In fact, all the imports into this country, in my view, you would have to classify, and you would have to arrange differential rates for each class of cargo.

3420. And for the distance it has been brought?—All these things should be taken into consideration.

3421. And how would you act with regard to exports?—I would rather not express a definite opinion about that, because that is the real difficulty—viz., getting cargo to contribute anything.

3422. (*Chairman.*) In the précis with which you have been good enough to favour me I note that you say that the difficulties of collection from cargo and the amount to be paid by different kinds of cargo present almost insuperable obstacles?—I do not mean the actual collection. That is simple enough, but to make a fair contribution as between cargo and cargo. The time at which it arrives, the place at which it arrives, the distance which it has been carried, and a whole lot of other considerations necessarily entering into it are so difficult to reconcile that I doubt whether any fair and equitable scheme could be arranged. I could easily imagine some very highly controversial points on the collection of a contribution from cargo.

3423. I have felt the same difficulty. It has suggested itself to my mind that you might collect the charge from the cargo owner through the shipowner?—Yes, it is possible.

3424. I am not sure whether you understand what I mean. My idea was that you should put a rather heavier charge upon the shipowner, with the idea that he would get it back in freights, that he would treat it as a charge on the business?—It is so difficult when you talk about getting things back in the freight. You have a clause in the charter party, and before you agree any of the clauses you practically agree the freight. Then the broker comes along with his document—a common form one, we will say, but generally there are one or two clauses that want altering, and when you begin to alter these clauses the alterations must have some commercial value. You have practically agreed your freight, and when you alter these clauses you alter the value of your freight. Of course, in the end it must find its level, but I do not think just in that manner exactly can you say to the owner, "We are charging a little more now; you must look to your freight to get it back."

3425. You do not think it would be satisfactory to him?—I certainly think it would not be satisfactory to the owner. Of course, in the end it must find its level, but I do not think you can regard it from that point of view. There is a little more complication than that about it.

3426. On the whole, therefore, you are in favour of a scheme without contribution from either shipowners or cargo owners?—Without contribution from either shipowners or cargo owners, as being the simpler plan.

3427. Would you be willing to contemplate a scheme which, recognising the difficulties that you have been explaining to us in relation to cargo, secured a contribution from the shipowner and let the cargo owner go scot free, or would you feel that was too inequitable?—My idea is that the owner would look upon that as being inequitable.

3428. It would, I suppose, be necessary to take some precautions to secure that the cargo which we indemnified was actually coming to this country?—That has always been my personal view of it. I can quite foresee that in order to preserve British shipping it might be necessary to go further.

3429. It would cause a considerable interference with trade as it is ordinarily carried on, would it not, if the cargo owner were bound to declare at the port of sailing what his ultimate port of destination was?—In some trades it would; in others I believe it would not. In the River Plate trade I believe it is very usual to declare the port at Las Palmas. You see, in these long voyages the man who has bought the cargo and is dealing with it wants some time, and as the ship gets nearer he knows how the market is, and whether it will pay him to send it to Rotterdam, or London, or Liverpool, or any of these other ports, because perhaps he can make a little more profit at one port than at another. But the margin of profit on these cargoes, I understand, is so very small that it is necessary to have as much time at one's disposal as possible before giving the orders for the final port of delivery.

3430. On the other hand, if you left it open to him to issue his final instructions at a port of call, of course, the ship would always have been bound for England if she was lost?—I agree, if there is any indemnity of this kind, I should not be quite so keen about the conditions of trade under those circumstances, because when one is at war everything is abnormal, and therefore I should say to a man: "If you intend the cargo for this country, give your orders at the port of loading." I do not think that would be any very great hardship. It might be in individual cases, but I think on the whole it would work well.

3431. Supposing that we have no scheme of indemnity of any kind, what is it you think would happen? Would our shipping be laid up, or would it be transferred to foreign flags?—It would entirely depend on the conditions which were prevalent. If a shipowner in his discretion thought that the war was not going to last very long, he might say: "In the meantime, I am going to lay up my ships for a little while; because I cannot afford to pay the premiums which are asked to insure this risk." But he might, on the other hand, say: "I can get such good freights for trading under these conditions that I am going to risk it." You cannot tell what really would happen. Of course, if one wanted to be quite safe, I have no doubt some of the more timid owners would transfer their ships to foreign flags. Personally, I should deprecate any-

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thing of the kind, because experience has taught us that when once you begin transferring your ships you cannot get them back. It is a very simple thing to transfer. At present I know one or two owners who have transferred their ships to the Swedish flag, and they seem to think that the conditions which prevail there are more favourable than the conditions which prevail here, and they do not intend to get them back to the British flag. I should not like that to happen.

3432. (*Sir James Mackay.*) Do they retain their interests in the ships?—Yes.

3433. They simply run them under the Swedish flag?—Yes. You must have an authorised manager, or something of that kind, according to these Continental systems, and therefore you have a trusted agent over there, who is to all intents and purposes the legal owner of the ship; or you form a company, but the capital is supplied by the Englishman, who does the chartering, and buys the bunker coals, and generally manages the ship. It is practically the same sort of thing as if the company were registered here, only it is subject to the Swedish laws, or the Danish laws, as the case may be.

3434. (*Sir George Clarke.*) Do you think a belligerent would recognise a transfer of that class if it were made in time of war? It is not really a transfer at all?—If there was a legal transfer I do not see how the belligerent could help it, supposing I am flying the Norwegian flag, and my ship is a Norwegian ship.

3435. He could help it simply by capturing the ship and ignoring the Norwegian flag?—But the Norwegian Government would surely step in.

3436. (*Chairman.*) You anticipate that in case of the outbreak of a serious naval war, rates of insurance would rule very high?—At first they certainly would, in my view.

3437. Do you anticipate any difficulty in getting ships insured, even at those high rates? Do you think the market would be sufficient to take all the insurance offered?—At the present moment the market is limited.

3438. For war risks?—For war risks. I mean if you instruct your broker to insure war risks to any considerable extent I think you will find that there are only a few companies and a few men at Lloyd's who care to take this risk.

3439. If we were engaged in a big naval war, do you not think that would tempt many other people into that war market?—The more speculative man would, of course, go into it to a certain extent, but the steady underwriter I do not think would touch it.

3440. Would it be too strong a statement, in your opinion, to say that if the State does not insure it may be impossible for the shipping of England to be covered for the whole of this risk?—With English companies, yes. Personally, as conditions prevail at the present moment, I do not see how the whole of the shipping of this country could be covered satisfactorily. You might be able to get a policy; the question is whether, if any very serious losses occurred, the underwriters would be able to pay. If you take an occurrence like the earthquake at San Francisco, that has seriously affected a good many of our companies. I believe shares have gone down in some instances, they have had to call upon their reserve in some cases, and many individual underwriters have paid very heavily. But war risks would be very much more serious than a thing of that kind, and if a risk of that kind has an appreciable effect upon the market, it would be much more serious in the case of war risks. If there were a very few captures of valuable property, if, for instance, for a week or so our Fleet was crippled in any particular way, and a P. and O. boat, a few Cunarders, and a tramp or two were captured, which might happen if the enemy was at all efficient, there would be tremendous losses in that one week, or fortnight, and during that fortnight the premiums would necessarily rise very considerably, and anybody who had held off and not insured would then find it not only difficult to insure, but he would want very good security before he paid his premium. If I might venture to suggest, it might perhaps be desirable, if the State were going to do anything of this kind, to put aside, by way of a sinking fund, so much a year on the declared value of the shipping, to provide a fund for losses.

3441. You would hold, I suppose, that if the fund undertook to give an indemnity, it must pay claims in cash?—Yes, I think so. A man wants to be in possession of his ship or its equivalent at the time of the loss. He wants to be put in the same position as if he insured.

3442. If your scheme were followed as regards the shipping no dispute would arise over the value?—No, it could not; it would be agreed beforehand.

3443. But disputes would still arise as to the value of cargoes?—Yes. The values of cargoes would depend, of course, on the supply and demand to a large extent, I take it.

3444. We have suggested that you might take for the value of the cargo the value at the port of shipment plus freight and insurance?—Yes, that would be a very good plan.

3445. That would seem to you a fair value to take?—A fair value. I should not take it on the valuation as if the cargo were necessarily being shipped to this country. What I want to get at is what is actually the market value in this country, in Rotterdam, in Hamburg, in Havre, or some of these places.

3446. That was the object of the words, that you should take the value at the port of shipment and not the value which that particular cargo might have if it safely arrived in this country at a moment of famine prices. I imagine that still there might be some occasions where disputes would arise. Suppose you had an expert committee to determine any matters under this policy, would you be content to abide by their decision, or would you feel it necessary to leave a shipowner, if aggrieved, an appeal to the courts?—Subject to the constitution of the committee, I should strongly deprecate any appeal. If you have a committee conversant with these matters and capable of judging what the value of shipping and of cargoes is, what possible use can an appeal be? You have already got the best expert knowledge you can get on the subject, and both the shipowners and cargo owners, in submitting to that committee, put themselves under the very best tribunal they can get. What is the object of going to the court? They are only incurring unnecessary cost, wasting time and money and everything else.

3447. I gather generally from what you say that upon the whole you favour the establishment of a scheme on the lines of Scheme A that we sent you?—Yes, I think I favour that more than the other.

3448. (*Sir George Clarke.*) Do you anticipate transfer to a foreign flag to go on on a large scale?—I personally do not believe it would be carried on on a large scale, but what I should like to avoid more than anything would be the possibility of its being carried on on a large scale, because I believe if one or two owners were by any chance successful in their transfer, that is to say, if it worked well, it might induce others to do so, and I should not like that inducement to be held out to anybody.

3449. You mentioned Sweden as a country that would be likely to clothe our ships with its flag. Have you thought of any other countries?—I have not thought of any others. Sweden occurred to my mind, as I knew of some ships that are registered there, although they are practically English ships.

3450. But of course you know that in some countries the laws of the country prohibit such a transfer?—So far as I can understand, the laws of most foreign countries are that you must have a native of that country owning the ship, and I believe that is so in Sweden. I am not quite sure. I believe they arrange it in that way.

3451. And do you suppose that the crews and masters would also be transferred?—Do you mean would become naturalised Swedes?

3452. Yes?—I do not think so. I think they would have to engage a Swedish captain in the boat, or a Spanish captain if it were a Spanish transfer. They might have a man there nominally, but an Englishman would be commanding in fact.

3453. Would the Swedes or Spaniards be able to find crews and officers for any large amount of our shipping?—I am not quite sure whether under these continental laws all the officers must be of the nationality to which the ship belongs. Of course, if there were a large number it would be quite impossible, because the major portion of our mercantile marine are, I presume, Englishmen.

3453*. (*Chairman.*) Do you know anything of the

case of the trawlers that have been transferred to the Norwegian flag in order to evade our fishing regulations?—I do not think I am sufficiently conversant with that.

3454. You do not know whether that is a case where a single Norwegian officer is put on board, but the ship is practically manned as before?—I do not know. I know in Spain they require a Spanish engineer and a Spanish captain. Whether the rest of the officers have also to be Spanish, I do not know. But in a case of that kind it is customary to have a Spaniard who is qualified, and to have a really good Scotch engineer on board the ship as well, who is nominally the second engineer, but really the first.

3455. (*Sir George Clarke.*) If the cargoes of neutral ships were liable to capture owing to the extension of the definition of contraband, would not that reduce the temptation to transfer?—If under a neutral flag they were liable to capture, I suppose that would be so.

3456. Would not that be the case if food and raw materials were declared by an enemy to be contraband?—I suppose it would if they were so declared. The question is whether they would be.

3457. You have said that in war time premiums would be prohibitive. Have you formed any idea of what rates would be prohibitive?—You mean, what would be a prohibitive rate for an owner to pay in addition to his ordinary insurance?

3458. Yes?—That would so much depend upon the circumstances which were prevalent. It would be impossible to say at the present moment what would be prohibitive in time of war. One might have a very big freight in time of war, and out of that might be able to pay a much larger premium than one would be able to pay at the present moment. It would be impossible to sit here and say what would be a prohibitive rate, and what would not. For instance, in the Russo-Japanese war many owners said, "I will not carry your cargo at all unless you guarantee me against loss or give me a suitable policy against it, and pay me the whole freight in advance," which sometimes amounted to nearly the value of the ship. It is obvious that an owner, in order to get a freight of that description, could afford to pay a very substantial sum in the way of war premium. In the case I am mentioning, not only was there a substantial freight, but also the loss was covered which might arise from the capture of the ship, so that it is impossible to say what would be a prohibitive rate until the circumstances are known.

3459. Do you consider there would be probably such an increase of freight that much higher insurance rates than peace rates could easily be paid?—I do not think there would be a material increase in freights. I do not think the market would be very much influenced if there was a proper scheme of insurance in existence. If there was no State insurance, then one would have to do the best one could, and in that case I think the rates would be very much increased. The object of State insurance is to avoid these panic rates having to be paid. It is to keep things more or less normal, not to have these abnormal fluctuations of trade.

3460. The rate would depend on the nature of the war?—Yes.

3461. And who our enemy was?—Yes. For instance, in the Boer War there was no earthly chance of our ships being captured, because they had no ships, and therefore they could not capture us. If one was at war with a great nation that had a very powerful navy that would certainly influence it.

3462. So that these considerations would only arise in case we were at war with a strong naval Power?—They would become prominent then. Of course, one never knows waht may happen even with a small naval Power.

3463. I think you said you see no difficulty in arriving at the agreed value of a ship?—I do not see why there should be any difficulty. I do not say there would be no disagreement as to value. There would be, of course, always some men who would want a higher value than they were entitled to.

3464. Is there any difficulty in finding the true value of a cargo for a particular voyage?—I am afraid I am not sufficiently expert to answer that question. It seems to me more a matter for merchants. I do not see why there should be myself, but, as I say, I am not sufficiently expert. I do not see why there should be any difficulty, any more than there is in arriving at the value of a ship, or any other commodity.

3465. If the State were to lay down in peace time a fixed schedule of rates per voyage, ranging, say, from a ½ per cent. minimum to 2½ per cent. maximum, do you think anything on that basis would be likely to be accepted?—By cargo owners and merchants?

3466. Yes?—You mean a contribution by cargo of a ½ per cent. to 2½?

3467. A premium?—In times of peace to pay that contribution?

3468. No, not in times of peace?—To fix that rate in time of war?

3469. Yes, or rates of about that amount?—If the merchant had to pay a sum varying from 10s. to 2½ per cent. in order to get his cargo here, he would necessarily have to get that out of the price of the cargo somehow or other, and whatever arbitrary sum you fix in the end it would, I suppose, just be a question of increase of prices.

3470. Of course, a contribution of that kind on the value of the cargo bearing some proportion to the distance travelled would get over the difficulty that free indemnity without payment at all must seem to the public at large to be inequitable?—If the cargoes were to contribute during time of war and not during times of peace?

3471. Yes?—It might.

3472. Do you not think that a completely free indemnity would be regarded as exceedingly favourable to a particular interest?—Yes, I think one would have to be educated up to it. I agree to that extent.

3473. Might not the education be a rather long and difficult process?—It might be.

3474. (*Mr. Beauchamp.*) I am not quite sure whether, when you said that you would not give this indemnity to cross voyages, you referred simply to the cargoes?—Yes, I referred only to the cargoes.

3475. And not to the ships?—No.

3476. The ships, under all circumstances, you would cover?—Yes. I think I said that it might perhaps be necessary to give it to the cargo.

3477. Yes. you did afterwards. But, in any case, you think the shipowner ought to be covered under any scheme?—Yes

3478. Then with regard to the insurance question and the limitation of the market for war risks, you said that even now in peace time it is difficult to get a large amount covered?—No, I do not say it is difficult to get it covered. What I say is that the market is limited.

3479. And in that sense it would be difficult to get a large amount covered?—In time of war I think it would be very difficult.

3480. But in time of peace?—No. As I understand —I may be quite wrong—there are certain men at Lloyd's and certain companies who will write these risks when they are put before them, and there are other men who will not. To that extent you would be having all the risks in a confined group of people at Lloyd's and with certain of the companies, and if they had all these risks and a war broke out, obviously it would be a very bad thing.

3481. But is not that rather owing to the fact that the underwriters do not care to tie their hands too much in times of peace at a low premium, in the hope that if war broke out you would come in at a high premium?—It may be. I do not know what the object of the underwriter is in refusing the risk. I should hardly think it is that.

3482. Have you contemplated what might be the amount of captures in any particular war in which this country might be engaged?—Of course I have thought of it, but it would be absolutely impossible to say. My view is either that it would be a big thing or that it would be nothing worth bothering about, because I think if by any chance any important portion of our fleet were crippled, then there would be a large number of captures. If that never happened, there would be very few, and it would entirely depend upon that circumstance, in my view.

3483. I think you said that you thought an eighth per cent. would not be objected to by shipowners

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generally?—I do not think it would be objected to generally.

3484. That might be so with regard to tramp owners, but do you think that that would hold good with the great liners?—If the tramp owners agreed to it, I think *a fortiori* the liners ought to.

3485. But would they object, do you think?—I do not think they would seriously object.

3486. An eighth per cent. is rather a serious charge for these big liners. For instance, these two new Cunard steamers cost a million and a quarter each; that would be two and a half millions for those two steamers alone; and even if you charged only a shilling per cent. the premium would be £1,250?—Yes. Then, you see, the risk is very serious, too. If these boats were captured, what would the Cunard Company lose? They would lose the value of their ships, and I do not think an eighth per cent. would be a very heavy premium to charge for that return.

3487. But do you not think they would object in time of peace, considering they can insure their risk for total loss—which is an ever-constant danger, of course—for 17s. 6d. per cent only?—With these risks the value is so large that even if they get ashore, and you spend £30,000 or £60,000 on their repairs, they do not get anywhere near a total loss. It is quite a different thing where a ship is captured. Of course, it is not a big premium, though it may amount in the aggregate on a value like that to something substantial, but the consideration you must take into account is that you have a large sum at risk, and consequently you have a large income from that capital, and therefore you can proportionately afford to pay just as much as the man who has only a ship valued at £40,000.

3488. Quite so, but if they only have to pay 17s. 6d. per cent. for a total loss, which is an ever-constant danger, do you think they would pay 2s. 6d. per cent. for such a problematical thing as capture in case of war?—But do you think that total loss is an ever-constant danger with these big steamers? I think it is exceedingly remote.

3489. (*Sir James Mackay.*) Collision is always dangerous, surely?—Collision is always dangerous, but ships do not sink so much by collision nowadays. With their watertight compartments and that kind of thing the risk of loss by collision is very remote in a ship of that kind.

3490. (*Mr. Beauchamp.*) Still, we have had Cunard losses?—There have been isolated instances, I agree, just in the same way that one may say of the "Berlin," which was a dreadful case of loss of life. But from an underwriter's point of view, I take it that one would accept "Berlins" rather than a coaster which is in and out of port all day long. It seems to me it is purely a question of underwriting, and I do not think the risk of a total loss in one of these Cunarders is at all serious. It certainly would not be written at 17s. 6d. if it were.

3490*. (*Sir George Clarke.*) Their speed is so great that their risk of capture would be very small?—It might be. They have big speeds.

3491. And if their speed was so great that capture would be exceedingly unlikely, ought they to be indemnified if they pay nothing?—But the risk of capture does not depend entirely on speed. If you are not armed, and if you have a shell or torpedo put through you before you have a chance of getting away, as might happen with the long-range guns that are used nowadays, and your engine-room or some vital part was seriously crippled, you would not be able to use your speed.

3492. Speed does materially reduce risk?—I think it reduces it, but where you have an armed ship as against an unarmed ship, if you have a fast cruiser well armed she might be able to keep pace with your Cunarder, and put a shell or two in her when she had a chance.

3493. But you would not indemnify them if the Cunard company had declined to pay this contribution in peace time?—Why should you, if they think their ships are so much better than the rest of the shipping community? What I mean is this: If they think their risks are so much better and so much less liable to capture or seizure than the generality of the shipping community, why indemnify them if they have not contributed?

3494. (*Sir James Mackay.*) You would not make the payment compulsory?—No, I would not make the payment compulsory; but if the Government said "We are going to indemnify every shipowner under this scheme," then surely the shipowner would take advantage of it, because if he did not, then in time of war he would be in a very bad plight if anything serious happened.

3495. Would you say a ship might come in if she had not been paying for fifteen or twenty years?—Any ship that has just been launched must necessarily be treated as from the date of her launch. I would treat it like an ordinary insurance, in the sense that a man who wishes to have his risks covered has a means of covering them by the State; if he likes to come in and accept the provisions that the State has provided for him, let him do so; if he does not, there should be no liability upon the State to refund a loss.

3496. Would you let a man stand out for five or ten years, and then let him come in at the same rate?—No; I should increase his premium very considerably. If you had formulated your scheme from a certain date, and had said "We are going to take these risks," and a man said "I have been outside the scheme for eleven years, and have not insured, but now that war is imminent I will accept," the Government would be perfectly entitled to say: "For so many years there have been so many ships contributing to this fund, and their contribution has been so much." I would not let him come on at ordinary rates; it would not be fair.

3497. Would you allow another owner to come on, supposing there was a transfer?—That would be a difficulty. If that difficulty were insurmountable—if one thought it likely that there would be fraudulent practices arising from it, I should make the insurance compulsory.

3498. (*Mr. Beauchamp.*) If you could make a charge on the cargo owner, you would prefer to have some fee paid by the ship and the cargo?—May I put it shortly in this way? I should prefer a scheme without contribution by the shipowner at all. If you are going to have contribution you must have contribution by the cargo as well, in my view; but the difficulties of getting a fair contribution by the cargo owner are such that I think they would be almost insurmountable. For that reason I prefer a scheme without contribution at all. If you are going to have contribution, you ought to have contribution by the shipowner and by the cargo owner. If you think that by not making the scheme compulsory, the owner might fraudulently transfer his ships and then get the benefit of the scheme, that is very easily got over by making it compulsory.

3499. I understand from the précis that your first idea was that there should be a contribution, and that the contribution should be from the ship and cargo?—No; I am sorry if I have conveyed that idea to you. My idea is that there should be a scheme without contribution at all, but if you have contribution then you ought to arrange some scheme whereby the cargo is brought in.

3500. (*Mr. Lindley.*) You have rather indicated that you would prefer a declaration to be made at the commencement of a given period, so as to fix the value of the ship?—At any arbitrary date, yes.

3501. Supposing you have the gratuitous scheme, is that necessary at all?—I think so, because the Government wants to know what risk it is running as an insurance company, so as to make an adequate provision, even in time of peace, to build up a fund. At least that would be my idea.

3502. You mean from Government revenues?—Yes.

3503. If no declaration is made, then even with the gratuitous scheme you would say that the shipowner is not to be indemnified?—I should make it one of the conditions of his being covered that he should declare his value. I do not see any practical difficulty in the way, because he does, as a matter of fact, declare his value to the underwriter, and where he does not insure, and he has a self-insurance scheme, surely he has some value on which he reckons a rate to put aside premiums to meet losses. In all these cases where owners do not insure, as a matter of business I take it they have an insurance scheme of some kind, and I believe in some instances they even issue policies. If that be so, there should be no difficulty in the way of his declaring the value to the Government, in the same way as he would to his underwriter or to his

self-insurance scheme. There is no practical difficulty in the way.

3504. I wanted to put it that there was no practical difficulty the other way?—The practical difficulty the other way is that if the loss is incurred, the ship is very much more valuable than it was previously, and a shipowner might think that the Government had not sufficiently remunerated him for his loss. In time of war it might be quite true that the ship would be more valuable than it was before. An owner must make up his mind what he is willing to take even in an abnormal time, and if he is willing to go to an underwriter and insure against capture and seizure at a certain sum, that shows the sum he is prepared to take in case of the loss of his ship. Why should he expect the Government to act differently?

3505. With regard to the question of complying with Admiralty control, supposing that compliance were not properly rendered to the Admiralty orders, what do you suggest should be the result?—You mean if the master or owner does not comply with the regulations?

3506. We will take the owner first of all. Supposing the owner does not comply with the regulations, would you say there should be no indemnity?—I should put it upon the same principle as breach of condition in a policy of insurance. If he does not comply with it, why should he expect to be covered?

3507. Supposing the owner complies with it so far as he can and the captain does not, in breach of instructions from the owner, what do you say should be done?—Then I think that ought to be one of the terms of the indemnity.

3508. That it should be paid?—Yes, because he cannot help what happens by the wrongful acts of his servants. The difficulty I foresee there is, that whilst the owner might give precise instructions, the captain might perhaps, on his own initiative, or perhaps on a hint from his owner, act differently.

3509. (*Sir James Mackay.*) Perhaps the captain might think it would be better for the owner that he did not obey his instructions?—These are things that arise in every business transaction. One has to guard against fraud, but if a man is fraudulently intended all the checks you put upon him will not prevent him from committing fraud. In the case of an absolute fraud, where one can prove it, I should treat the owner in the same way as in a civil case. These are all things one has to fight out in ordinary business life.

3510. (*Mr. Lindley.*) What would be the position of the cargo owner under similar circumstances. Would you indemnify the cargo owner in any event?—I would rather not answer that question.

3511. Is not that rather similar to the case of the captain and the owner?—If the cargo is lost by the negligent or fraudulent act of the captain, surely the carrier of the cargo is responsible for it, subject to the clauses of his contract of carriage; and if in time of war the owner felt that he might be liable for some fraudulent act, he could regulate the clauses of his bill of lading accordingly. These are all matters that would have to be considered when the contingency arose; you cannot say so far beforehand.

3512. I was not looking at the question of the responsibility of the shipowner for the value of the cargo, but at what the position of the cargo owner would be?—I think he would have to be put on the same basis as the shipowner.

3513. (*Mr. Huth Jackson.*) You said that you represented the United Kingdom Mutual Steamship Assurance Association?—Yes.

3514. They do not undertake war risks?—No, they do not.

3515. Do you happen to know whether there are any mutual insurance companies who do take war risks?—Yes, there is one.

3516. Do they confine that to the ships and to the cargoes?—Yes, to the ships, not cargoes.

3517. There are none that do cargo?—None that I know of. It may be there are some.

3518. With regard to the value of the steamer for the purposes of this insurance, you would not be prepared to adopt the plan which has been suggested to us of taking the cost less a certain depreciation per annum from the time of her building?—It might be a very good way of arriving at the value of the vessel, because that would probably be the actual value of the steamer; but what I think is this, that there is a slight fluctuation even in the value of steamers. You may have an old steamer which is written down in the books of the firm who own her to about as low a value as they can possibly write her, still she has a market value of some description, and if you sold her you might get a few thousand pounds for her in excess of the book price; and therefore it would not be fair to take the value in the way you suggest, because in the case which I put it might be that the vessel had no value, or that she had been written down to practically nothing.

3519. (*Chairman.*) No book value?—No book value.

3520. Though she had a real value?—Exactly. Suppose you write off 10 per cent. every year, in 10 years time (or whatever period the time is at compound interest), you write off the whole value; you keep on reducing and reducing until you have nothing left.

3521. (*Sir James Mackay.*) If you wrote off 10 per cent. every year you would write her off in about eight years, taking compound interest. That is pretty quick, is it not?—That is very quick. At the end of that period in your books that steamer is valued at practically nothing, but you obtain an offer, let us say, of £7,000 for her, and you sell her; therefore that steamer has a value.

3522. (*Mr. Huth Jackson.*) Supposing one took a more modest percentage than 8 per cent. or 10 per cent.; even then, supposing the ship had been run off, as far as the scheme was concerned, if, as you suggest, there would be liberty to the shipowner to insure outside, he would know exactly what his position was so far as the indemnity was concerned, and he could, I presume, insure that small value which the ship still retained to him outside. I am only wishing to arrive at whether some scheme of that kind would not avoid this annual declaration which you are suggesting?—If I might venture to say so, I think an annual declaration would be more satisfactory to the owners, and I do not see, myself, any practical difficulty in the way of it. It is quite open to the Government to say, "We will give you the value of your steamer as it stands in your books at the date of your loss; you must disclose what you have written down," and so on. But as I have already pointed out, some steamers make more money than others, and some owners write off and some do not, and so many men have different ideas about how business should be conducted that you cannot get unanimity amongst them. Therefore, it is much better to regard it as an insurance risk than as capital at risk in a business concern, and to say to the shipowners, If you are going to insure your vessel against this risk, what value will you put upon it? Then if the underwriter, that is to say, the Government, felt that the value was too low or too high, they would call in the assessors and assess it.

3523. But you suggest there should be no appeal from the decisions of the Board of Claims?—Yes.

3524. It has been suggested to us that if there were no appeal at all the owner of a ship might fall between two stools; the Board of Claims might decide that he has no claim under the war risk policy of the State, and then he would claim on the marine policy, and the Courts of Law might decide that he had no claim under the marine policy?—Yes, of course, that might be, and it is very difficult. The Board might say, This is not a capture or seizure within the meaning of this clause; and then you go to your ordinary policies and the Court might say, This is a capture or seizure within the meaning of this clause; and as you say, you fall between two stools. But surely the risk of that is small, and one has to take some risks in business.

3525. You do not think it is a risk which the Board of Claims should take, that their decision might be upset by a Court of Law?—Is it not rather a question of evidence in each case? Is it not rather a question of fact than of law as to whether your ship has been captured or seized? If it has, in fact, then you recover, and if it has not, you do not. It is mostly a question of evidence, is it not?

3526. The case was suggested to us of a steamer disappearing entirely and being reported missing?—Then it is a question of circumstantial evidence. Of course, these are the sort of risks that a man in business runs every day of his life. He takes out his war insurance policy, he takes out his ordinary insurance

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policy, and he falls between two stools. He cannot help it sometimes.

3527. Then he appeals to the Court?—Yes, he has an appeal to the Court. It seems to me it is an ordinary business risk, and I think myself the fear of it is remote. It is simply to get finality. The only object I have in not allowing an appeal, is to get finality, and to prevent unnecessary disputes, and that sort of thing. I think if one had a practical board that understood these matters, you would not have any very great disagreement of opinion, and where the owner was, if I might use a rather vulgar expression, trying it on—entering an appeal to see if he could get anything, but really being not much disappointed if he did not—then I do not think he could complain of the board throwing out his claim. It is a very serious question from the owners' point of view in a really *bonâ fide* case, but I am inclined to think the risk is small of a competent Board throwing out a claim which ought to attach. I do not myself have any fears on that point. You have to submit to somebody ultimately, and whether it is the House of Lords or the Board of Claims does not matter.

3528. You suggested that the initial period of the war would be the one—and that has also been suggested by others—in which the greater number of captures would probably take place?—I should imagine so.

3529. And I suppose you would agree with others that the premium for war risks would probably be greatest during the period just before the war broke out, when there was the fear of war, and also continuously during the earlier period of the war?—Yes, I think that would follow, though one cannot tell.

3530. And assuming, as we all do, that we have confidence in our Admiralty and our Navy to beat any given enemy, then after a certain period the war risk premium might come down to a normal figure?—To more or less what I might call the war normal figure as distinguished from a panic figure. They would not be the same as in times of peace, of course.

3531. No. Of course, if the Navy were not able to defeat the enemy, then there would probably be such a state of confusion that it is horrible to contemplate. But what I was going to suggest to you was, whether there would be a possibility that this guarantee should be for a certain period after the commencement of war?—Why limit it to any certain period? Of course, the insurance ought to be an insurance that would continue during the continuance of the war, because if you are going to limit it to a twelve months' policy renewals would be necessary.

3532. I am talking about the period of the war. The main object is to avoid, if possible, the war risk premiums rising to a very abnormal rate?—And to give security to the shipowners.

3533. Yes; and if, as you have suggested, and other witnesses, too, the period of greater risk of their rising to these abnormal figures would be during the earlier period of the war, would it be possible to contemplate the idea of a guarantee, say, for all ships afloat at the time of the outbreak of war and for all ships sailing within one month or two months after the outbreak of war?—I do not think that would satisfy the owner. He would want fuller cover than that.

3534. You think it would have to be an unlimited guarantee for the period of the war?—I think it would have to be a guarantee for the period of the war, otherwise one would have to resort to ordinary insurance. If you do not get practically the same cover from the Government as you would from an underwriter I do not think it would be worth while considering the scheme. It is quite true the heavier losses would be at the first part of the war, but it is equally true you might have a spurt in captures near the finish of the war, and that would be just as drastic for the shipowners as if it had happened during the first three or four weeks or months.

3534*. You do not contemplate, if the guarantee were given, that there would be any difficulty for other reasons in the owners of steamers keeping their ships afloat do you. I refer especially to the question of crews. There would be a withdrawal of the Royal Naval Reserve would there not?—Yes, I suppose so.

3535. And of a certain number of the foreigners who are at present part of our Mercantile Marine?—If we were at war with any first-class Power, and there were a want of crew, I think there are always plenty of men who would go out on being paid a certain remuneration. I think you would always find sufficient men, apart from the question of the Mercantile Marine at the present moment perhaps being inadequate to meet our demands upon it. Given the same number of men that we have at present in the Mercantile Marine available, and taking out the reserve which is necessary for the Navy, and the foreigners, I think you would find sufficient men, even foreigners as well, who would be willing to go in British ships if Britain were at war, because the wages would be necessarily high. The men who went out in the time of the Japanese War were always quite willing to go out to Japan when they got to Shanghai; the only thing they objected to was the rate of wages. They were quite willing to run the risk of capture, and sometimes they did not mind even running the blockade, but they wanted extra pay. I do not think that difficulty of keeping the ships employed would arise.

3535*. You do not think there would be any great risk of any large portion of our Mercantile Marine being laid up?—I think necessarily a certain portion of our Mercantile Marine would be laid up, because there would naturally, as you say, be a dearth of seamen. But I do not think any very considerable portion would be laid up. I do not think, for instance, it would be 50 per cent. or anything of that kind.

3536. (*Chairman.*) If the annual declaration that you suggest were to be at all controlled by the Government it would involve practically the establishment of a Department to deal with that business, would it not?—I suppose if you had an Insurance Department in the Government, separate from the other departments, to deal with war risks exclusively, it would be part and parcel of their work.

3537. You contemplate that the Government would be obliged to have technical advisers specially for the work?—I think you could have a rota of assessors, in a somewhat similar manner to what they have in the Admiralty Court. When a judge sits he sometimes has two or three assessors to assist him, and you might call upon men who, for a small remuneration, perhaps no remuneration at all, would be quite willing to assess these values where a value was in dispute.

3538. Then you propose that values should be fixed at the beginning of the year?—At some arbitrary date.

3539. The object of that is to prevent an inflated value being put upon the ship after war has broken out, as I understand?—Yes.

3540. You would have, therefore, to cease re-valuation during the period of the war?—I should have no re-valuation during the period of the war. I should ask the owner to make up his mind, in precisely the same way as he does now, what he would be prepared to accept for his ship in the event of that vessel being captured in the next twelve months, because, as I say, the Government would require the information to show them what value they actually had at risk, so that if they felt inclined to start a sinking fund they would have some statistics to go upon.

3541. But suppose I declared the value of my ship on the 1st January and war broke out on the 30th December, on the 1st January following a new declaration would, under ordinary circumstances, be due from me. Would you allow me to vary my declaration if war had broken out in the preceding month, or should I have to stand at the old valuation?—I think it would depend upon whether the value of shipping had very materially appreciated or depreciated during the preceding twelve months. I think you would find that the owners would very fairly agree what the value really was, and that is what one wants to get at. You do not want to get at what is the panic value of the shipping, because that passes in a few months—it terminates with the war—and very probably there might be great depreciation in values after the war. Or, on the other hand, one might be in such a position, through not employing one's ship, that it would very seriously depreciate. But what I would like to get at is, to put a shipowner in the same position as he is at the present day in time of peace. Those owners who do insure against war risks, and they are a considerable number, must of necessity place some value on their shipping in order to get the underwriter to fix the premium, and so forth.

3542. But that value only binds those owners for 12 months?—Only for 12 months.

3543. And, indeed, it does not bind them even, in one sense, to 12 months?—You could always do honour

policies or other policies. Of course, one cannot prevent an owner making a bet with a man.

3544. (*Mr. Llewellyn Smith.*) Supposing you left the value to be determined until the ship is captured, would there not be sufficient data to enable the Board of Assessors to fix its value, apart from the inflated value, but if the value of these 100 ships had to be de so, undoubtedly. I think there would be sufficient data, but to my mind I regard it as a matter of convenience to have all these things fixed beforehand, because then the owner knows what he is going to get and the Government know what they have to pay. As I said before, it seems to me an important matter that the Government should know what risk they are running as an insurance company, in order that they may provide premiums to pay for losses when they occur, or establish some scheme for the raising of a fund, or something of that kind.

3545. Supposing the claims on the Government far exceeded the fund they had been accumulating, they would still pay them, I suppose?—Of course. If they had not accumulated sufficient funds it would simply show they had not charged enough premium.

3546. (*Sir James Mackay.*) You do not propose to charge a premium at all?—That is for the consideration of the Government. I do not mean a contribution by shipowners and cargo owners. I was rather assuming that the Government would be setting aside a sum year by year, which I designate a premium.

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3547. A sinking fund out of the general revenues?—Yes, out of the general revenues.

3548. (*Mr. Llewellyn Smith.*) My point is that, supposing there were a hundred ships, of which 5 per cent. were captured, there would be five cases in those one hundred in which we should have to determine the value, but if the value of these 100 ships had be declared every year, in 20 years there would be 2,000 valuations to be made?—Yes, but at the present day, when you insure your ship, you declare your value. I do not know which scheme would be most acceptable to the shipowners. I should think the scheme would be most acceptable to the shipowners which fixed the value when the ship was captured. But one wants to get at a fair and equitable basis. If an owner at the present time is content to say, "In the event of my ship being captured you, the underwriter, will pay me so much," why should he adopt a different view simply because the Government take over that liability?

SEVENTEENTH DAY.

Tuesday, 17th June 1907.

PRESENT:

The Right Hon. Austen Chamberlain, M.P. (*Chairman*).

Sir Thomas Glen-Coats, Bart, M.P.
Sir James L. Mackay, G.C.M.G., K.C.I.E.
Sir George Sydenham Clarke, G.C.M.G.
Sir George H. Murray, K.C.B.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Frederick Huth Jackson.
Mr. George H. Duckworth (*Secretary*).

Mr. Christopher Robert Nugent, called and examined.

Mr. Nugent, in a preliminary memorandum,* had submitted:—

(1) That the relation of shipowner to Discount houses and Bill brokers in London is chiefly confined to financial operations in connection with ships in course of construction, when it is usual for the builders to take a proportion of the purchase money in cash and the balance in bills at three to six months' date, frequently with the option of renewal.

(2) That the relation of the cargo-owner to the Bill broker is less well defined and is often obscured by the bills involved being drawn upon banks, or other accepting houses, against letters of credit.

(3) That the grant of a State Indemnity would have a favourable effect on business relationships in time of war, and that, with this security, Discount houses would be more disposed to give their usual facilities than if protection were forthcoming only by the ordinary methods of insurance.

(4) That a State Indemnity would nevertheless necessitate large borrowings when National credit was low and money in great demand for war purposes, unless a fund were previously accumulated to meet the claims upon it.

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3549. (*Chairman.*) You are Manager of the Union Discount Company?—Yes.

3550. You have seen the reference to this Committee?—Yes.

3551. We wanted some information as to the position of bill brokers, and the way in which they would be affected, or might be affected, by any scheme of the kind we are inquiring into. Can you tell us, roughly, what is the relation of the bill broker, for instance, to the shipowner?—Between the bill broker and the discount house there is a distinction. The business of the discount market is not entirely a brokerage business. The brokerage business in the discount market is gradually disappearing, and most of the business is done by discount houses—that is, houses which have the handling of a certain amount of money from the bankers and the public generally, which they employ in discounting bills. There is a certain proportion of bills in circulation in the money market which are handled by brokers who are distinctly bill brokers and nothing more, but their transactions are not very important in the matter, and really the principal factor is the action of the discount houses. The discount houses discount bills drawn by the shipbuilders upon the shipowners. I briefly indicated the way in which that business worked on a memorandum which I sent in a few days ago, and really I have very little to add to that.

3552. Would you just give the substance of that memorandum to us to-day?—With pleasure. The relation of the shipowner to the discount houses and bill brokers in London is chiefly confined to financial operations in connection with ships in course of construction, when it is usual for the builders to take a proportion of the purchase money in cash and the balance in bills at three, four, or six months' date, frequently with the option of renewal. The discount houses, in discounting

* *Vide* note, p. iii.

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such paper, take into consideration the standing both of the drawer (the builder) and the acceptor (the shipowner), and also the general position and outlook of the money market. Should the bills not be properly met at maturity, the broker would come back on the builder, who in turn would be able to recoup himself by seizing and selling the ship. The financial transactions connected with ships after completion of purchase would be by way of mortgage, which is a form of business outside the province of the regular discount houses. The discount houses are subject to the criticisms of the bankers and the people from whom they take their money, because the discount houses have to give collateral security; deposits are all protected by bills, and the public and bankers in taking bills from us naturally look upon them more critically, because in case of emergency they would have to fall back upon the bills if we were unable to find the money. Bills drawn for ships in course of construction are very largely discounted in the open market, in addition to being taken by country bankers and by the large bankers direct from their regular customers. Of course, although the bills are based upon ships in course of construction, we as a matter of fact have no lien upon the ships in course of construction. The fact that such bills arise from shipbuilding is indicated on the bills, and very often the name of the ship is put on, or some number indicating that she is a ship in course of construction, if she has not been named. But we are, above and beyond that, interested in the position of the shipowners, because, having no lien upon the ship, their general credit is a consideration we have to take into account, and in the event of war the losses incurred by a shipowner would, of course, materially affect our position as bill holders, although we were only taking bills based upon ships in course of construction. I do not know whether I have made that quite clear.

3553. I think so. As I understand, the direct interest of the discount houses ceases either when construction is complete or within a few months afterwards?—Yes, that is the orthodox way; but I ought to explain to you that there are a great many bills on ships no longer in course of construction. Some of the largest shipping companies have a large amount of bills in circulation which cannot be recognised any longer as on ships in course of construction. To avoid issuing capital they keep a certain amount of paper in circulation which is discounted by the discount houses and by bankers, and which even finds its way into the Bank of England occasionally as collateral security for loans.

3554. In such cases do you make any stipulation as regards insurance on the ship?—There is a keen competition for this business. There are a great many things you would like to do, and which, strictly speaking, you ought to do, but it is a competitive business, on very close terms indeed, and if I were to suggest to the Chairman of one of these great shipping companies that I should like to see this, that, and the other, he would probably say, "You must be content with the knowledge that we know how to conduct our own business." I should say they would probably insure against marine risks, and probably against war risks. We take it that in the case of a company with ordinary business prudence such things are attended to. We do not make any particular inquiry in such instances.

3555. As regards the cargo owner, will you tell us in the same way what the relation of the cargo owner is to the discount houses?—As regards the relationship between the discount houses and the cargo owner, the exact position is more difficult to define, as the course of the commercial transactions involved is frequently obscured by the resulting bills being drawn upon banks or other accepting houses against letters of credit or other documents; but in a general way it may be stated that the discount houses are largely interested in the satisfactory conclusion of operations entered into by owners of goods coming into or going out of the country. The bills that the discount houses take in that connection are what we call clean bills—that is, they are bills not with the documents attached. The documents are given up on acceptance, and we simply have the engagement of the firm that is financing the cargo owner. Sometimes even shipowning business is done in the same way too.

3556. Your acceptances then are really given on the credit of the firm and not on any documents attached to the bills?—No, it is almost always on clean bills. It is very rare for us to have documentary bills—that is, bills with the documents attached. A very large part of the business is done, especially by the foreign bankers and Indian and Colonial bankers, but the discount houses very rarely take bills with the documents attached, for this reason, that we have to take bills we can circulate and give as collateral security, and the consequence is with documentary bills you must have the bills in your portfolio ready to give up the documents when the acceptor wishes to get hold of his goods.

3557. (*Mr. Gladstone.*) By documents attached you mean documents attached for payment?—Yes. The bulk of our bills are drawn with documents against acceptance.

3558. (*Chairman.*) Then, speaking generally, you would be only indirectly interested in the question which is referred to us?—Quite so.

3559. The more smoothly the shipowner or the cargo owner carry on their business, and the fewer the risks they run, the better it is for you?—Quite.

3560. But substantially you would carry on your business on the strength of their names, without requiring to see whether they were insured or indemnified against risks of this kind?—Of course the general tone of the market would be very much disturbed by any state of war, and probably at such a time the discount houses would be put upon a very keen inquiry as to what arrangements were made to protect shipowners and cargo owners in case of capture. It is possible that the ordinary methods of insurance might not be feasible. It is more than likely, if one or two losses were to take place, that the whole system of insurance would be at an end for the time being, and that it would be difficult to insure, because the risks would be so large. Then, of course, our operations would have to cease in the same way.

3561. You think that underwriters would be scared by two or three big losses?—I think it is very likely. Certainly the companies would. As far as I understand—I am speaking from my own point of view entirely as a layman—the companies are somewhat chary of running the risks, and if they refused to do it the shipowners would be driven to what would be done by the underwriters at Lloyd's, and they might be equally indisposed.

3562. Do you think that the capital behind the companies and Lloyd's is sufficient to underwrite those risks?—That is a question which we should have to consider. I think a great deal would depend on the engagements the houses had in the money market for the time being. A good many questions would enter into our minds when we were presented with that sort of position. But if the engagements of the larger companies were comparatively moderate on discounts, of course we should be influenced by that, whereas if they were large, probably we should be indisposed to do anything.

3563. On the whole, therefore, from the point of view of your own business, you would be glad to see some scheme of indemnity?—Yes. I think it would very much facilitate our operations, and would of course to that extent give shipowners and cargo owners the confidence of knowing that their bills would be discounted.

3564. Any serious restriction in the business you do would, I suppose I may take it, very greatly hamper the ordinary operations of trade?—I do not know whether the discount market can assume quite as important a position as that. You see we are intermediaries: we act between the bankers and these good people who want the money; and the actual money provided by the discount houses is not very large. But there is no doubt the tone of the discount houses influences the credit generally, and the bankers' minds would be influenced by the position if the discount houses were not taking the bills, and I should think the moral attitude would have more effect perhaps than the material one in the transaction.

3565. (*Sir James Mackay.*) Is it not more that the restriction in trade would injuriously affect your business?—It would no doubt affect us in the first instance, and perhaps the others after. We are the outer skin, so to speak, of the money market, and we are very sensitive to any general movements. The profit is infinitesimal, and the discount market is certainly shy directly there is any restriction at all either upon the general or upon the particular position. I might also mention that the discount market is also largely composed of the foreign banking houses who do a similar sort of business, taking bills and buying bills, and their attitude is of some importance in this

question also. The German banks, and the French banks, and the Swiss banks, who are establishing themselves in London very rapidly now, have a very large portfolio of bills, and I know from my own experience they frequently take shipping bills in this kind of way that some of the discount houses would not be inclined to take at all.

3566. (*Chairman.*) Of course any scheme of the kind does not diminish the amount of loss?—No.

3567. It only spreads it?—It only spreads it. That is a point that occurs to one.

3568. It distributes it through the Exchequer over the whole people?—It does. I take the view that it is better distributed perhaps at present among the people who insure the risks than it would be by coming on to the Exchequer, because my own feeling would be that it would entail upon the Exchequer considerable disbursements if the claims were paid in cash, which would come at a very inopportune time, when the national credit was low and money was wanted for war purposes. It occurred to me in thinking of this that, taking the San Francisco disaster, a very large amount was paid in the ordinary way with very little disturbance. If losses of that magnitude had come upon the Exchequer, for instance, at a time when loans would be required for other purposes, it would have been a troublesome matter; it would have a very great effect.

3569. You are inclined to hold, I think, that if the Exchequer is to take this liability it ought to form a reserve to meet it?—I think so, or else to undertake to pay in bonds at the time instead of in cash. I think the country would feel the strain very much, and that the taxpayer might be impatient, considering what he was spending on the Army and Navy, if he were called upon also to provide money for the trade of the country in this way. It might open the door to other people who would be losing by war risks being required to be compensated. It is not only the shipowner and the cargo carrier; there are an immense number of people whose business would be also very prejudicially affected by the outbreak of war, and they insure against such contingencies in the ordinary way. If the State is going to take upon itself the burden of insuring people engaged in the shipping trade, a multiplicity of other businesses would come upon the Government and say, "Let us have a share of this with the shipowner," if it is done without any premium having to be paid.

3570. Do you mean that these other people are insuring themselves against war risks?—Yes, a great many other people. For instance, a banker holding Consols in the ordinary course of business; if war breaks out Consols may fall 10 per cent., and that may mean a loss of hundreds of thousands of pounds. That is as important to him as the loss is to the shipowner.

3571. And it may be as important to trade, and as far-reaching in its effects?—It might be. You enter upon a very large question, it seems to me, when the State undertakes this sort of business.

3572. Looking at the whole question, if you were sitting on this Committee you would probably say we had better not recommend the scheme?—If I were sitting on it I should have had the advantage of hearing all that you gentlemen have heard on the subject. But I should like to hear a good deal to convince me that it was a course to recommend to any Government, unless under the pressure of considerable public demand for such a guarantee.

3573. (*Mr. Huth Jackson.*) The other war risks to which you refer are more or less speculative policies, are they not? They are policies which I think you said were policies taken out against the fall of Consols, and so on?—Yes.

3574. They are hardly legitimate war risks which are run?—I think so in the case of loss incurred in the course of your business which you cannot very well prevent. A banker is as much compelled to hold Consols in the course of his business as the shipowner is to carry by ships, and to that extent he is a creature of circumstance. Of course, the risk is a more speculative one so far as Lloyd's is concerned.

3575. But it is not a risk which in any case of State insurance the State should be called upon to undertake?—I am not so sure. I think there are a great many risks. I merely mentioned that as the first thing that occurred to my mind. But there are a great many other risks where I think the State position would be on all fours, *vis-à-vis* the person requiring protection, as with the shipowners.

3576. But does it not take rather the form of a bet between two parties against war?—Not altogether, I think.

3577. I do not say it is not legitimate, but is not that more the form of it?—I do not think it is so, more than the insurance against risk of capture is a bet that you may be captured or may not. You may escape or not as the case may be. It seems to me to be on all fours.

3578. You mentioned, I think, that the discount market as such were not interested in the insurance of goods under present conditions?—We are interested. I said we did not make particular inquiries when we had acceptances of important houses, and so on. For instance, when we take bills on the various accepting houses, we do not inquire of the accepting houses whether the goods are insured or not.

3579. But the market never does discount documentary bills previous to acceptance, does it?—No. Occasionally, perhaps, while the bills are being accepted we pay cheques drawn against them. Having the goods it is a safer advance than it is by way of a clean bill, where we are in doubt, and where we have nothing to fall back upon but the names if the bill is not accepted. Personally, I would rather advance against an unaccepted documentary bill than an unaccepted clean bill.

3580. Then in time of war the discount market would naturally be put on inquiry to a certain extent as to the insurance?—I think so. Our attitude then would be different from what it is now; it would be more cautious altogether.

3581. And if circumstances arose where, owing to serious losses, the insurance market was refusing to underwrite further war risks, and indeed there was a general feeling that even if they did the policy would not be considered a very strong one any longer, the discount market would be considerably restricted in its operations?—Yes, undoubtedly. That is, of course, a very likely contingency.

3582. And if the discount market were thus interfered with or restricted, it would undoubtedly mean that the business itself would be restricted, because the same arguments would apply to bankers who might be called upon to discount the bills which you were not prepared to take?—That is quite so.

3583. And therefore the discounting and the financing of the bills altogether would become, under the circumstances, a very difficult operation?—Yes, it would be very greatly hampered.

3584. (*Mr. Beauchamp.*) I should like to ask you one or two questions with regard to these other insurances of which you have spoken. Have you in your knowledge any large insurances of that kind having been taken out in the past against the fall of securities?—No.

3585. You have no knowledge that it has been done?—No.

3586. Because, as far as I know, only in very small amounts has that been done from time to time?—But the conditions would be so new in a case where we were likely to be engaged that it would be almost necessary to be done. The losses would be very serious if people ignored some protection of that kind and we became engaged in any war which this guarantee would be likely to affect. This contingency can be limited to four or five Powers however.

3587. You say you would examine the bills and the securities which were offered more carefully during a time of war, before you advanced money on these bills. Have you done that at all when there has been any war scare, such as during the Fashoda incident, for instance? Do you under those circumstances examine more closely and carefully?—Yes, certainly; just as we did recently in the Russo-Japanese War.

3588. And under those circumstances you do not advance so freely without seeing there is other security?—We have to make more inquiries as to the position of the houses interested; what they are doing, and whether their business is likely to be affected very materially by the war conditions, or whether they have protected themselves against these war conditions, and what is the nature of the protection.

3589. To see whether they have insured themselves against the war risks?—Yes. For instance, the revolutionary state of things in Russia has very much affected the credit of all houses dealing with Russia.

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During the last two years the feeling has gone up and down; it gets a little more alarmist at one moment, and a little more confident at another, and the fact that people have been unable to protect themselves against any losses arising out of the disturbed state of things has influenced us in taking the bills. For instance, the fact that people were unable to protect themselves against loss by conflagration in Russia is a very serious matter, with merchants buying cotton and so on, as to the extent of paper we should take on the houses.

3590. Then supposing there should be any indemnity granted by the State, you think it ought to be satisfied by the issue of bonds and not by cash payments?—I should prefer from my own point of view that it should be settled by cash; but from the point of view of the State, I think if you incurred that obligation to find cash you might find it extremely difficult to do it. That is the point that occurred to me. It would be far better, from the point of view of the man who insures, and we who deal with him, that the payments should be made in cash.

3591. Would the bankers be satisfied to advance in the same way, if the payment was to be made by the issue of bonds which could not be realised at the par value?—No.

3592. They would want a larger margin?—Yes, naturally they would. We should look at that very closely.

3593. (*Sir George Clarke.*) I suppose, from your point of view, Scheme A and Scheme B are identical?—Yes.

3594. It does not matter whether the indemnity is free or purchased?—No.

3595. But if Scheme A came into operation you would want to know that a certain value of ship and cargo had been accepted for the purposes of the guarantee?—Yes, we should ascertain that from the person whose bills we were taking.

3596. Therefore there would have to be some transaction as regards the particular ship and the particular cargo between the Government and the person under Scheme A?—Quite. I should look to the shipowner protecting himself in the usual business way by his insurance, whether with the State or anybody else.

3597. You would want to know exactly to what extent he was covered?—Quite so.

3598. I see you say that the State indemnity would necessitate large borrowings, when the national credit was low and money in great demand. Have you ever considered what state of things might arise if a great war broke out?—It is a sort of nightmare, that, when you have a good many millions of other people's money, and a good many engagements on paper, comes upon you every now and then. I get into a fluid state of mind when I consider that subject; I cannot form any concrete notions. It would be very troublesome, and involve us all in very considerable sacrifices and alarm, and so on. There would be a tremendous dislocation in all credit business, and in that connection I may mention that I am one of those who think that the cash reserve is just as important as anything else in these matters; that, especially if there is any form of national guarantee undertaken, you must form a bigger gold reserve, and have a cash reserve. It is the absence or possession of money, as well as food and ships, that is going to handicap you or give you strength when the critical time arrives.

3599. We have had evidence to the effect that if a great war were to break out the financial difficulties would be so great that the mere question of the liability of ships to capture would be a bagatelle. Is that your view?—I rather take that view so far as my own thinking is concerned. I have not discussed it very seriously or to any great length with people, but that is my own feeling. I think if we were engaged in war with a first-rate Power you would have a suspension of the Bank Act, and not only that, but a suspension of the convertibility of the note would follow as a matter of course in a few days.

3600. So that it would be a much bigger question in the event of war than this question of the capture of ships?—I think this is a very important question, but I think the other ought to be included with it.

3601. And the greater includes the less?—Yes; and it is a question which we know the other great Powers have considered. France and America and Germany have provided themselves with an enormous amount of gold they can lay their hands on, which this country has not. Even in comparatively minor transactions we have to borrow gold. We have obtained it hitherto from France, America, and elsewhere. I must say that in the conduct of one's own affairs it is a matter that one takes into consideration.

3602. You think that the lack of gold might really be the crux of the whole question?—I would not go quite so far as that, but I think it would be a very important element. It is one to consider in conjunction with the others. I think perhaps the actual military and naval position would in the first place be predominant, but the other would be almost next to it, and they ought all to go together. That is an expression of my own personal views, with some experience in the money market, and knowing the feeling about matters, especially as London has become so dominant in the money market of the whole world. A monetary reserve would be a good thing to adopt in any case, because it would give greater monetary confidence to the whole world, and enable London to retain its present predominance.

3602*. (*Chairman.*) May I ask exactly in what sense you use the word "predominance"? London does not command the money market of the world?—Perhaps not command. When I use the word "predominance" I mean London is practically the money market, in which transactions centre; the movements of goods all over the world are settled by payments in London.

3603. (*Sir James Mackay.*) It is the clearing house?—The clearing house. That is recognised by the extent to which all the Continental banks and other institutions are establishing offices and businesses in London. It is a very valuable business in itself.

3604. (*Chairman.*) But that makes us not more independent of what is going on elsewhere, but more sensitive?—Naturally more sensitive. I think it is hardly recognised how sensitive we are in that respect.

3605. I thought that must be your meaning, but I was not quite certain?—Yes, that is my meaning.

3606. (*Sir George Clarke.*) But the probability is that the functions of London as the great clearing house of the world could not be carried on in a great war in which we were engaged?—I do not know, and I should not like to say that. I think it could be arranged. So much would depend upon whom we were at war with.

3607. I mean a serious war?—I think, taking the five countries with whom there would be the possibility of our being engaged in a large war, with three out of the five we should be able to continue our banking and monetary business, but of course our markets would be disturbed. It is no good having a supply of food and raw material if you find your markets closed to purchasers. You get congested. The position then becomes absolutely a financial one.

3608. (*Sir George Murray.*) I did not quite follow your reason for thinking that there would be a greater disturbance in the money market if these losses fell in a concentrated form on the Government, rather than were distributed over the whole of the insurance market?—My feeling is that the money would be more easily obtained in the ordinary channels, everybody making their arrangements, and so on, to meet the losses, than it would be by the Government having to borrow one large sum and distribute it again. That is my feeling, and I mentioned in connection with the San Francisco disaster that a large amount of money was obtained apparently with very little disturbance, whereas if that amount of money had had to be raised by the Government, for instance, it would have been a very troublesome matter.

3609. Of course, in that case the losses all occurred in a very few hours. That would not be the case in war?—No; it might be in a few days, though.

3610. Would there not be just as great difficulty, if that money had to be raised in the course of a few days, whether the Government had to raise it or the market had to raise it?—It would cause a considerable disturbance, but I think on the whole we find that distributed arrangements are better than a focussed and concentrated one. I think it would be probably better if the members at Lloyd's and the large insurance companies found the money by selling securities and by borrowing, and so on; it would create less disturbance in the money market than the Government having to issue a kind of stock to raise the necessary funds. You see, the issue of Government stock has a greater effect

in depressing all existing securities than the sales of moderate amounts by bankers and others.

3611. Then you think that the fact that the Government credit is perhaps a trifle better than that of the rest of the world would not affect that?—On the whole I should take that view. I am looking at it from the Government point of view, not from the point of view of the man in the street or the public. From the Government point of view I should prefer, if I were the Chancellor of the Exchequer, having the insurance companies to find this war risk money, instead of knowing at any moment I should have to pay money to A and B for losses that they had incurred from capture.

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3612. No doubt the Chancellor of the Exchequer would prefer that; but I thought you were looking at it from the point of view of the money market?—No. From the point of view of the money market I think they would always prefer cash, and probably a Government guarantee.

Mr. Arthur Norman Hill, called and examined.

Mr. A. N. Hill.

Mr. Norman Hill, in a preliminary memorandum,* had submitted:—

(1) That a National Indemnity in war time is not only desirable but absolutely necessary. The Indemnity to cover all British ships in all trades, and not only those trading direct with the United Kingdom.

(2) That the Indemnity should be gratuitous, since, under any contributory scheme, if the charge were sufficiently low not to divert the trade to neutral ships, it would, in fact, amount to a war tax levied on our oversea trade; while, if it were high enough to cause a diversion of trade, it would defeat one of the main objects of the Indemnity.

(3) That if the Indemnity is to be paid for, the basis on which contributions should be made would be a matter of great difficulty.

(4) That it is of supreme importance to maintain our oversea trade as well as the supply of foodstuffs and raw materials, and that too much might be risked and too little gained by the exaction of contributions towards a State Indemnity.

(5) That the only condition to be attached to the Indemnity should be the observance during war time of Admiralty regulations as to sailing. Shipowners and cargo-owners not to forfeit their right unless personally responsible for the non-observance of these regulations.

(6) That Scheme A affords a better basis for a working scheme than Scheme B.

(7) That losses due to deviation indirectly caused by hostilities should be paid for by the State in order to prevent question as to the liability of underwriters under their marine policies.

(8) That the values on which payment should be made should, in the case of ships, be cost less depreciation at the rate of 5 per cent. per annum; and, in the case of goods, the actual cost plus the actual disbursements made on account of freight, insurance, and similar charges.

(9) That a single Board could not deal effectively with all claims, and that Boards of Claims should be established in London, Liverpool, Glasgow, and Newcastle.

(10) That the members of these Boards should act as representatives of the Government rather than as arbitrators, and that an appeal to a Court of Law from their decisions should be allowed, since a Law Court is a better tribunal than a Board of Claims to investigate fraud.

(11) That the Indemnity should be optional and not compulsory; shipowners not bringing in their vessels under the scheme to be held responsible to the cargo-owner unless the latter had agreed that their vessel should be kept out of the scheme.

(12) That the existence of a scheme of gratuitous Indemnity would prevent any undue increase in freights.

3613. (*Chairman.*) You are the secretary of the Liverpool Steamship Owners' Association, I think?—Yes.

3614. What is the membership of the association?—The members of the association owned at the end of last year 3,600,000 tons of steam shipping. I can give you some particulars of the class of shipping if it is of interest.

3615. I think the figures themselves are almost sufficient. Those are figures of steam shipping?—Entirely steam shipping. The peculiarity of the association is that it holds such a large proportion of the big ships and the fast ships. Last year we owned 37 per cent. of the total number of British shipping afloat of a speed of 12 knots and upwards, and 43 per cent. of the total number of steam vessels above 5,000 tons. It is very largely a liner association.

3616. Your association has considered the question referred to us?—Yes.

3617. And what conclusions have they come to?—They were summarised in a statement that I sent you, a print of a statement made by Mr. Harrison, who was the then chairman of the Association, in October, 1905. I do not think I can add anything to that statement. It was a considered statement adopted by the Association.

3618. And the association have not in any way modified the views they expressed at that time?—No.

3619. The Association therefore desires a State scheme of indemnity against risks of war?—They think it absolutely necessary.

3620. On what grounds do they urge that it is necessary?—On the ground that if the oversea trade is to be carried on effectively, the indemity must be given; the trade can only be carried on effectively under the protection of such an indemnity.

3621. Is that because they think that insurance rates would rise to impossible heights, or because they think they could not get insurance at all?—I do not think there is fear of not being able to get insurance, but the cost of insurance will be such as to disorganise the effective oversea trade of the country. It will not destroy the trade, but it cannot be carried on commercially.

3622. At such a time in case of a serious naval war, there would be great disturbance of trade and of commercial interests in every direction?—Probably.

3623. It would not be confined to shipping?—No.

3624. Do you think that the influence even of a very considerable rise in insurance would under those circumstances be a controlling factor in the market?—The rise of rates to the point which appears to us probable we think would be a very controlling factor. It would affect the whole of our oversea trade, the receipt of the raw material, and the distribution of our manufactures; and there is the other question which we regard as of great importance, the preference it would give to foreign shipping, and the inducements it would offer for the transfer to the neutral flag.

3625. You are seriously afraid of the transfer to the neutral flag?—Yes.

3626. In many countries, perhaps in most countries, at the present time there are legal difficulties in the way of such a transfer?—They can nearly all be sailed round.

3627. Would it be, in your opinion, a mere transfer of registration or an actual transfer of ownership?—The form would be an actual transfer of ownership; but the probabilities are that the original owners would still have some substantial interest in the ship.

3628. In order to make the operation profitable or

* *Vide* note, p. iii.

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desirable, of course the enemy must recognise such transactions?—Yes.

3629. Do you think it probable that they would?—We have had a good many examples, not in war time but in peace time, in which such transfers are fully recognised by the country. I might give you an example of when there was a preference shown, from a Customs point of view, to all cargoes imported into the Spanish West Indian Islands in vessels under the Spanish flag. It is notorious that in the case of many of the vessels sailing under the Spanish flag, getting that benefit year after year, the capital in those boats was British. The flag was Spanish, and there was a nominal Spanish owner who discharged all obligations to his State. That trade was carried on year after year in competition with really Spanish-owned vessels in the same trade.

3630. I suppose in that case the Spanish Government for some reason or another were well content to wink at the evasion?—I think they were very glad to get the ships under their flag.

3631. But if the ships were being transferred, say to the Spanish flag, in order to escape the depredations of a strong naval power, do you think that strong naval power would recognise a transfer of that kind in the same way?—It would be very difficult to get behind it, if it was done with all due regard to formalities.

3632. Do you draw any distinction as regards the importance of the two points, the maintenance of our supplies, and the maintenance of our shipping? Do you consider the danger of losing one is greater than the other?—I should put the maintenance of the supplies and the distribution of our manufactures first, and the other as second, but the second is a very important consideration.

3633. I notice you couple the distribution of our manufactures with the maintenance of our supplies of food and raw materials?—Yes.

3634. You naturally regard them as equally important?—Certainly.

3635. Then do you suggest that the indemnity should cover all British vessels in whatever trade they are engaged?—Yes, I think that is necessary to stop the complete disorganisation of our oversea trade.

3636. Including therefore voyages between foreign countries?—Yes.

3637. Although those voyages cannot result in bringing any food supplies to us?—But they affect the cost at which the supplies are brought here most materially. If the voyages are only out and home we may lose very profitable cross voyages on the way, and we shall have to increase the freights out and home.

3638. Would that apply very largely to the liners represented by your Association?—No, it would affect the tramps much more than these liners.

3639. Then I think your association claims that the indemnity should be a gratuitous one?—We think so.

3640. Will you give me your reasons for that?—If the shipowner or the cargo owner purchase the indemnity, then it appears to us that their first effort will be to pass on the cost, the shipowner through the freight to the cargo owner, and the cargo owner through the price to the consumer or the shipper. That could only be checked by effective competition from neutral ships that would carry at less cost, who would not have to purchase the indemnity, and whose insurance would be less than the cost of the indemnity. If that competition of the neutrals is successful, then it appears to us that we are at once brought face to face with the other risk—that is, of the transfer to the neutral flag, if the neutral flag is carrying at substantially less than we can carry, including as one of our costs of carriage the cost of the indemnity.

3641. But supposing that the contribution exacted from the shipowner were so moderate as not to be any inducement to ship in a neutral vessel, then, as you say, the shipowner might pass that on through his freights until it gradually reached the consumer?—Yes.

3642. What is your objection to that?—Then it would really amount, I suppose, to a war tax levied on the oversea trade. It would not matter to the shipowner then.

3643. It would be a war tax levied on the consumers of all the articles brought in or sent out?—Yes, the manufacturers of the articles sent out and the consumers of the articles brought in.

3644. Assuming that that were so, is not that as fair a way of distributing the charge as any that we can conceive?—You have assumed a tax so small as not to interfere with the oversea trade, I take it?

3645. Yes, I have?—Of course, if you have got a tax of that kind it may be a convenient form of taxation.

3646. The loss will be the same under any circumstances, will it not?—The loss will be the same. You cannot avoid the loss.

3647. If the loss falls upon the Exchequer in the first instance, the Exchequer will have to spread it by some form of taxation?—That is so.

3648. Do you think that any tax that occurs to you would spread it more equitably than it would be spread by passing it on to the consumer or the producer?—If I may give a personal example, I live by the transport trade of Liverpool as a lawyer advising the shipping companies; and I think I should escape my share of the contribution if you divide it over the raw material brought in and the manufactured articles sent out.

3649. You would pay something, I suppose, but not perhaps the full amount to which you think you ought to be liable?—I do not think my fees would be reduced because of that special tax. I can conceive of a wider distribution of the tax. It is not a complete distribution over the country.

3650. Your feeling, then, I rather gather, is that those who are specially and directly interested in this trade ought to contribute more than the ordinary consumer. You would of course pay as a consumer in such a case?—I should have thought that the oversea trade was so absolutely essential to our existence that if you talk about the people interested in the oversea trade you really talk about the whole country.

3651. And if the charge is borne *pro rata*, according to his consumption or production, by every consumer and every producer, is there anybody left outside the net?—I am not quite sure how far your distribution would go. If you take Liverpool, Liverpool is a city of middlemen, merchants, commission agents, brokers, underwriters, bankers, and so on. I am not quite sure how, by increasing the price of the articles, you would distribute any part of that war tax over that very large class of people that we have in Liverpool; and of course here in London it is almost as large, I think, if not quite as large.

3652. Have you considered the possibility of putting a small registration tax on shipping, which you would collect in time of peace, with a view to providing a guarantee fund in war?—No. I am sure the Association has never considered it as a body; and I do not think I have ever seen the suggestion myself.

3653. If the State were to adopt a scheme of indemnity, it would of course involve the acceptance by the State of a very considerable fresh liability?—Yes. You mean, if I may say so, by the Exchequer. The nation has got the liability now.

3654. Yes; let me say a fresh liability by the Chancellor of the Exchequer to produce considerable sums at a given moment when, *ex hypothesi*, the demands upon him in other ways would be extraordinary?—Yes.

3655. Do not you think it would be only prudent for him under those circumstances to accumulate a reserve to meet those liabilities?—Yes, I can see the prudence. Of course, you come again against the question of not making it more costly to trade in British ships than in foreign ships.

3656. We have had it suggested to us that a charge of an eighth per cent. on shipping might be made for this purpose. Would that seriously affect British shipping, do you think, in competing with foreign ships?—An eighth per cent. would be a substantial charge on the values, somewhere between £100,000 and £200,000 a year, I suppose.

3657. I should think between £200,000 and £300,000 a year on the total shipping?—Of course, you charge that on the capital value, but it really is a charge on the earnings. From £200,000 to £300,000 a year is a substantial charge on the earnings of the British Mercantile Marine. If it is assumed that the capital invested in British shipping earns 5 per cent., then an annual charge of one-eighth per cent. on such capital would represent an annual charge of 2½ per cent. on such earnings.

3658. As we said earlier, other classes of the community besides shipowners and cargo owners would be suffering great losses at a time of war?—Yes, but if we

are right, subject to this question of losing our trade, by its being transferred to foreign ships, I do not think you would ever get the shipowners to bear any part of the cost of the insurance.

3659. I see; even if we levied on them in the first instance you think they would pass it along?—Of course a small charge like an eighth per cent. would be very difficult to pass on, but if it came to war time I think the chances are that the shipowners would transfer through the freights their burden from the war on to the cargoes that they were carrying, subject to the one holding power of the neutral ship.

3660. Of course, if the charge is of a character to kill the trade, either to cause the shipping to be transferred or to make the price of materials brought in ships prohibitive to the English consumer or manufacturer, that would be a great objection?—Yes.

3661. But if the charge were a very small one, spread over years of peace and not raised in time of war, would that objection apply equally?—No. It would be a question of degree. I think the shipowners would be rather inclined to look on it that if it was a small charge like this it was putting the war cost on them, whilst if you left matters as they are at the present time, and there came the big charge in time of war, they would be able to transfer that charge to their customers. It would be like increasing a tax to the point at which the retailer cannot pass it on to his customer.

3662. Altogether, therefore, you are of opinion that the indemnity must be a free indemnity?—The justification for the indemnity would appear to be that the loss is one which falls upon the country as a whole, and if you are justifying it because it is a loss which the country must face in meal or in malt, the idea of charging any particular industry for it seems to be repugnant to the principle of the indemnity.

3663. You would extend the indemnity to everything in the ships, not merely to necessaries?—We think it would be impossible to distinguish between them.

3664. Do you think it would be quite equitable to distribute the loss, say of a parcel of diamonds, over the whole country?—No. You might exempt certain articles, such as diamonds, which would be at a greater risk of loss.

3665. Would you exempt bullion?—I should have thought we would have wanted all the bullion we could get.

3666. And securities?—It is a very difficult point to answer, because if you are going to try and arrange for our trade in war to be carried on as nearly as possible in the same way as our trade is carried on in peace, if you interfere with any of our cargoes each one is reacting on the other.

3667. That was rather my feeling. That is the answer I was trying to get. On the whole, it would be better to say we must cover everything if we cover anything?—I should have thought so. I should have thought even diamonds. Of course, if a lady was carrying her diamonds across the Atlantic just for the pleasure of wearing them it would be a purely ridiculous thing to cover, but if they are coming as a matter of trade it surely is very important that we should maintain such a valuable trade. They will go somewhere if they do not come here.

3668. You are quite prepared to make it a condition of any indemnity that the ships should follow whatever regulations are laid down by the Admiralty?—Yes; we take that as being the basis of the indemnity.

3669. And in fact that shipowners would be prepared to put up with the restrictions which that would involve?—In consideration of receiving the indemnity?

3670. Yes. Suppose the ship were lost through not following the Admiralty instructions, would you hold the cargo owner indemnified, he being innocent of the breach of the instructions?—Yes, I think he should be held covered. I think in that event the shipowner would be responsible to the cargo owner, if the shipowner has departed from the instructions without the concurrence of the cargo owner.

3671. (*Sir James Mackay.*) What about the terms of the bill of lading?—The shipowner is not responsible for the act of the master?—I think there ought to be two categories, one sailing within the indemnity and one sailing without the indemnity, and if the cargo owner has not clearly agreed to put his goods on a vessel sailing outside of the indemnity, then I think the shipowner should be responsible to him.

3672. That would be a matter of contract?—I think so.

3673. (*Chairman.*) Would you make the shipowner in that case responsible to the cargo owner, and clear the State of responsibility, or would you leave the State responsible to the cargo owner, but give the State recourse against the shipowner?—Your last suggestion would be better for the trade, better for the cargo owner.

3674. (*Sir James Mackay.*) I am afraid the poor shipowner would scarcely care to take that responsibility?—He has got his choice.

3675. He might find himself landed by a captain who had either ignorantly or wilfully disobeyed the orders of the Admiralty, and under that suggestion of yours the owner of the ship would be responsible for the entire cargo?—No, I did not mean to suggest that. I meant to make it perfectly clear that the shipowner who is sailing under the indemnity would not forfeit his right to the indemnity because of the negligence or the misconduct or the stupidity of his servants.

3676. What about the cargo? I thought you said the owner of the cargo should have recourse against the owner of the ship?—If the shipowner does not sail under the indemnity, I would leave it optional to the shipowner to say whether he came in under the indemnity or whether he sailed as he sails now.

3677. Suppose the master of the ship disobeys the orders of the owner?—Then I think the master of the ship is the only person who is responsible to anybody.

3678. Practically you would bring him under the clause of the bill of lading?—Yes. If the shipowner puts the vessel under the indemnity, and himself does not do anything to break the conditions of the indemnity, then I would hold the shipowner covered whatever his servants did.

3679. (*Chairman.*) Would you allow the shipowner to insure against war losses in addition to receiving the State indemnity, or would you forbid any additional insurance against the same risk?—I do not think I should forbid it. I should leave that for him to do as he pleased about it.

3680. Would it not be rather an encouragement to fraud? Supposing a ship were lost, a shipowner might recover the full value of the ship first from the State and again from an insurance company?—A matter of over-insurance; he has insured himself too high?

3681. Yes?—I do not know. I do not believe you can ever stop that kind of fraud by Act of Parliament. I think those cases are the exception.

3682. Certainly the exception, and very rare exceptions I should imagine, but not unknown, I think?—No, they are not unknown.

3683. In the great French war there was a good deal of fraud of one kind and another, not necessarily for this purpose, but in order to carry through profitable transactions which were legally forbidden at the moment?—Yes.

3684. Might not the State find its liabilities unduly increased by a temptation of that kind held out to the shipowner?—I do not know. I do not think shipowners would treat the question as of vital importance. I mean, if it was thought a reasonable condition that any vessel sailing under the indemnity was to be not covered in any other respect, I think they would accept it. As a matter of business, I do not think you would gain very much by imposing such conditions.

3685. On the whole, you prefer a scheme on the basis of what we have called Scheme "A" to anything in the nature of Scheme "B"?—Yes, we think Scheme "A" affords the basis for a working scheme.

3686. Now as to one or two of the details in regard to it. As regards the losses to be covered by the indemnity, are you satisfied with our wording?—The only question is with regard to a loss occurring during a deviation which has been forced on the ship by reason of hostilities or warlike operations, not resulting from either hostilities or warlike operations, but a loss, say, from a peril of the sea, but occurring after there had been deviation. That is, I think, the difficulty in which the shipowner under the present law finds himself. The shipowner who has the two policies, one the ordinary policy and the other the policy against capture, has at the present time the risk of falling between two stools, and that risk we would like to see clearly covered.

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3687. (*Mr. Huth Jackson.*) Do you mean the risk of capture or the marine risk?—Whatever loss arises during that period of deviation, whether it is from capture or whether it is from marine perils, unless it is covered under the ordinary policy.

3688. Is it not covered under the ordinary policy?—It is doubtful, I think, if the vessel has deviated from the voyage.

3689. (*Chairman.*) Supposing a vessel were coming across the Atlantic in the ordinary course to Southampton, and in obedience to Admiralty instructions went north about, you would then say that any marine risk from the time she left her course for Southampton to the time she reached her port ought to be covered by the war indemnity?—We think that the war indemnity ought to take what is not covered by the ordinary policy. It is the doubt that we want to see covered.

3690. Suppose that a war policy clearly excluded any marine risk whatever, no matter whether caused through deviation or not, is it not probable that a marine policy would very soon be drawn to cover that?—It would be difficult in a voyage policy on goods to know exactly what clauses to put in to cover that point.

3691. Do you have much dispute under present conditions?—Of course, under the seizure and capture clauses we have not had many disputes for a good time now. But there are many awkward old cases in the books, and if you are called upon to advise a shipowner, whether he is fully covered under his two policies, if he deviates in his voyage, you are in a very difficult position.

3692. (*Mr. Huth Jackson.*) But is not deviation generally covered under a marine insurance policy?—Deviation on an extra payment?

3693. Yes?—Very common, if you put the clause in.

3694. Would it be an impossibility to arrange in a similar way in time of war?—I do not think the underwriters would welcome that. They would show their feeling with regard to such a proposal by putting up their premiums.

3695. (*Mr. Beauchamp.*) Is it not always covered by the deviation clause in every policy?—I should have thought hardly always. It is growing, no doubt.

3696. It is a matter for the underwriter to arrange the premium which is adequate for the extra risk?—Yes; but you have commercial deviation now, which is what we cover under our deviation clause, and you have deviation in consequence of war or hostilities, which might be a very different matter, and the premium which is asked for the deviation under the orders of the Admiralty might really in effect amount to a war risk insurance. In other words, besides getting your indemnity from the State, you would have in all these questions of deviation to pay a war risk premium.

3697. I can hardly conceive the circumstances, but, of course, it is possible?—It is possible.

3698. (*Chairman.*) It might be a war risk premium in the sense that it arose out of the circumstances of war, but it could not be a war risk in respect of the amount of it?—It is probable the amount of the premium would be discussed after there had been a disaster. The clause is that the underwriter and the assured have to agree to the additional premium. It is a difficult kind of clause; it works extremely well in business, but when you have something which neither the underwriter nor the assured contemplated when they made that policy, you have very awkward factors brought into existence, and I do not quite know how they would agree on a reasonable rate.

3699. (*Mr. Beauchamp.*) But as a question of law, if an underwriter charged an unreasonable premium, could not you bring that into a court of law as being unreasonable under the circumstances?—I do not know. A premium to be agreed always goes through, and it is always dealt with fairly as between the underwriter and the assured. But if you come to loggerheads over that, and one party says, "I will only agree to 10 guineas per cent." and the other party says, "That is ridiculous, it should be only 5s.," I do not know how any court is to force those parties to agree.

3700. (*Chairman.*) Take the case I put. Could not you at once check an extravagant claim by showing what was the ordinary insurance against marine risk for a voyage north about?—Yes, I think you would bring evidence, but that does not bear on the question of whether or not the parties have agreed to a particular premium. You would have to say in your clause that it was to be agreed between the parties, or, if they differed, to be fixed by arbitration, or to be fixed by some tribunal.

3701. But substantially there is no greater difficulty than there is in dealing with similar questions in peace time, as you do every day?—Yes. In the ordinary way you have no disturbing factors; the deviation is for business reasons, and made in ordinary seasons of the year by a prudent master and a prudent owner, and he is working with his underwriters and insuring with them year after year, and the whole thing is arranged by the brokers without any trouble. But when you have new factors like war factors coming in, I am not quite sure that that machinery would work so smoothly until we had all got used to it.

3702. (*Mr. Huth Jackson.*) How is the present thing done? For instance, when a sailing vessel comes to Falmouth for orders? She may be ordered as far as Hamburg or anywhere on the Scotland route, up to the north of Scotland?—Her policy would follow her charter probably.

3703. There is no difficulty in arranging different premiums there, is there?—No. We will say the ship takes a charter for Queenstown for orders, and the orders must be within certain limits, between certain ports in the United Kingdom or certain ports on the Continent. She insures that voyage for all those possible endings by her policy, and there would be no deviation at all under that policy; she keeps within the policy whichever of these ports she is sent to.

3704. (*Chairman.*) To turn to values, how would you reckon the value of the ship?—I think if it would simplify matters the value might be taken on the basis of the actual cost to the person indemnified. In the case of ships I would suggest it should be the cost less depreciation at the rate of 5 per cent. per annum, and in the case of goods it should be the actual cost plus actual disbursements made on account of freight, insurance, and similar charges.

3705. In the case of the ship, do you mean the 5 per cent. depreciation to be 5 per cent. on the original cost?—You can calculate it either at 5 per cent. on the original cost or 5 per cent. on the diminishing value. I should think to get a full indemnity the shipowners would be content with 5 per cent. on the original cost.

3706. That would leave a good many ships still running, and certainly likely to be employed if freights rose much, if there was a scarcity of shipping, which would have no value?—No, not many. We have not many that will run for twenty years.

3707. At any rate you think that would be satisfactory and fair on the whole to shipowners?—I think so. They would be quite content. Of course, that brings up the other point you put to me, as to whether you would allow any outside insurance at all. The advantage of taking cost as compared with value appears to be that cost is capable of exact proof. Value is always a matter of opinion. If you took it on the basis of cost less depreciation, and then left a certain latitude to the shipowner at his own expense to cover any special points of value which affected his own particular ship, I think it would be a perfectly fair basis for compensation.

3708. Then for settling claims we have suggested a Board of not less than five members, to be selected from time to time, from a list of persons willing to serve, by the prescribed department. Would that be satisfactory to you?—We would suggest whether it would not be advisable to establish similar Boards, say at Liverpool, Glasgow, and Newcastle, as well as in London, to deal promptly with the claims.

3709. For the sake of dealing promptly with the claims we propose that the decision of the Board should be final. Would you accept that?—We think it would be a mistake to put the Board in the position of arbitrators. We would suggest that the Board should be put into the position of the Board of the insurance company, acting solely for the underwriters, solely for the Government. If you put them into the position of arbitrators you will tie their hands in their manner of investigating the claims. If they are merely acting for the Government they can make what inquiries they please; they can make them through what channels they please, and they can collect their information as they please, and then deal with the claim. If the owner of the ship or the owner of the cargo is dissatisfied with their decision, then we think he should have a claim in law as against the Board or against the Fund.

3710. Of course, if you allow an appeal to the individual you must allow it to the Exchequer also?—Or the Board would reject. The Board can act under the instructions of the Exchequer. The Board can recommend, and the Exchequer can say, "We do not accept your recommendation."

3711. Or suppose the shipper takes the case into court and the court decides against the Exchequer, the Exchequer must be allowed to carry the case up to the higher courts?—Yes.

3712. I suppose the Exchequer has rather a long purse for a litigant?—We are used to that with the underwriters. Some of them have very long purses, and are never satisfied short of the House of Lords. If I might say so, we think that the Law Courts would be a much better tribunal to deal with any cases of fraud than any Board could be, or any informal arbitration.

3713. Then, as I gather, your view is that the shipowner should be free to accept the indemnity with its conditions or not?—Yes, we think so.

3714. But that there should be a presumption in favour of the shipper of cargo that every shipowner had accepted the indemnity unless he expressly declared to the cargo shipper that he had not?—Yes.

3715. (*Sir George Murray.*) Supposing that in the national interest it is thought right to give a free indemnity to cargo, do you think that the claim of the shipowner to a free indemnity stands on exactly the same ground. Could not you, in fact, distinguish between the two?—Not without running very serious risk in the interests of the country, I think.

3716. What interest has the country at large in keeping the shipping afloat?—I should have thought it had every interest in maintaining our shipping. I think our shipping has brought an enormous amount of our trade, and brings it.

3717. But assuming we could get our supplies and send our exports out, has the country at large any further interest in the matter?—I think it has been a very important factor in developing our trade that the home of the ships has been in this country; that they will come back here to end their voyages. If we were doing our transport trade in German ships whose home port is in Hamburg, I think that you would greatly increase the shipping facilities of Hamburg as against the United Kingdom. The home port is a very material factor in providing transport facilities.

3718. Quite so, but supposing that the cargo is brought in and out of the home ports in neutral bottoms, would the country at large have any interest in keeping the British shipowner afloat?—They would not get anything like the same facilities for transport from foreign ships as they would do from British ships.

3719. Is that quite clear?—I should have thought so.

3720. You see the difficulty is that if you are giving a free indemnity to the shipowner you are giving him a preferential treatment as against all other traders in the country. There is no other industry that would have that advantage given it in time of war?—Is it that you are giving him preferential treatment? Is it not that you are stopping him from adding to the cost to the other people in the country of the stuff that is carried in the ship? You cannot devise any scheme by which you would make the shipowner himself bear the extra cost imposed by the war. He will get it back through his freights.

3721. (*Sir George Clarke.*) I think you said that you would extend your free indemnity to all British ships in all trades. Does that apply to Colonial shipping?—I think only if the Colonies were bearing their proper proportion of the indemnity.

3722. That is to say that they would have to pay the indemnity for any losses on their ships?—I think so.

3723. You do not think it would be equitable that the British taxpayer should pay the losses which would fall upon the Colonial owner?—No, I do not think it would be.

3724. And that would have to be separately financed?—I think so.

3725. You say if the charge was sufficiently low not to divert the trade to neutral ships it would become a war tax levied on oversea trade?—Yes.

3726. You might call any tax in time of war a war tax, so that if you did anything at all you would have your war tax?—Yes.

3727. When you speak of British trade in neutral shipping, is there sufficient neutral shipping to take up a large proportion of British trade?—Yes, a very considerable proportion. There are a great many foreign ships seeking trade at the present time.

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3728. But I am speaking of a very large scale?—Yes. I am not saying they could take the whole.

3729. Even a proportion might be a very large item?—Yes.

3730. Then you realise that neutral shipping might have to be insured as well as British shipping in time of war?—It would be necessary to insure it.

3731. And therefore the transfer to a neutral flag would be to some extent restrained?—It would be a point to consider in making your estimates, as to how much you could save by running the cargoes in neutral ships, the insurance that the neutral ships would have to pay.

3732. That would be a factor in preventing transfers, by increasing the liabilities of the neutral?—Yes.

3733. Have you formed any idea of the sort of insurance charges which would be so high as to bring about transfers to neutrals?—No, I could not give you any figure. It will not be very much, because of course though a great deal of what you hear is merely talk, if you take the effect of this last Merchant Shipping Act which was carried through last Session, and carried through with the support of the majority of the shipowners, it has no doubt increased somewhat the working expenses of British ships as compared with foreign ships, and you hear people debating most anxiously as to whether they cannot transfer their ships to foreign flags to avoid that additional cost.

3734. I think you say in your paper that indemnity is absolutely necessary. Do you mean from that that trade would stop by reason of the high cost of insurance, or that insurance would stop, and therefore there would not be any insurance?—Not that trade would stop, but that trade would be disorganised by it.

3735. To an extent that you consider would be nationally disastrous?—That is so.

3736. And you also say that if the price to be paid for the indemnity were fixed as a percentage on the value covered, and if this percentage were calculated on the early losses, you would expect that it would far more than cover the losses throughout the whole war. That no doubt is so. But suppose that the cost of the indemnity were fixed on an estimate of the losses during a year, say?—At the end of the year?

3737. Yes, based on such experience of past wars as we have had, and then a system of fixed rates for zones of length of voyage were laid down, to operate all through the war, do you think that would have any possibility of acceptance from your Association?—It comes again to what will the rates be.

3738. Assuming that for the longest voyage, say from London to Australia, the rate was 2½ per cent., would you regard that as prohibitive?—2½ per cent.?

3739. (*Sir James Mackay.*) That would be about 10 per cent. per annum, 2½ out and 2½ home twice over?—Yes, two voyages. It would be a big tax on the trade.

3740. (*Sir George Clarke.*) Would you prefer such a scheme as that to nothing at all?—That we should get the indemnity in exchange for a payment at the rate of 10 per cent. per annum?

3741. That would be in that particular case, a fixed payment for a certain voyage. It would be dividing the world into zones, first ½ per cent., then 1 per cent., and so on, the whole length being made up of the number of zones passed through?—The freights could not stand that.

3742. It would have to be transferred to the freights?—Any such charge as that would have to be transferred to the freights.

3743. Any charge for purchased indemnity would tend to prevent the exaggeration of values, would it not?—I do not know. I should have thought you would have prevented exaggeration by dealing with the basis of cost rather than the value that the man pleases to put on his ship himself. In cases of fraud your premium would not stop fraud. The man who is laying down a scheme to have his vessel captured will not be deterred by having to pay you a few more 2½ per cents.

3744. And the fact that he is paying nothing, and could get any value that he can register might tend to

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make those values run up higher?—Yes. I would not give him any value he registered.

3745. I think you said that an Act of Parliament would not check fraud?—No.

3746. But I think you admit that an Act of Parliament might facilitate fraud?—Yes, it might facilitate fraud. I think we know of many Acts which do.

3747. Under your proposals do not you think that war would become exceedingly profitable to shipowners and cargo owners; they have nothing to lose?—No, I do not see how it enters into the question of profit. You want them to do their work in war time as they do it in peace time, for the same pay.

3748. But if there is no loss at all, and no liability to loss, and charges generally, freights especially, are sure to go up, would not there be likely to be very large profits?—You assume that freights would go up?

3749. I do not assume it, but there is a strong probability they would?—Although you have eliminated the risk?

3750. I think there is a strong probability?—No doubt shipowners would do better than they do now.

3751. They would do better in war than they do in peace?—But I think that is an assumption, if I may say so.

3752. It is possible that they might do better in war than they do in normal times of peace?—It is possible that they may do better in 1908 than they have done in 1907, but I do not think it has anything to do with the year, if the circumstances are the same.

3753. The circumstances would not be the same, because war changes so many things that there is exceeding probability that freights would rise, and if all other charges remain pretty much the same, and if there is no liability to loss, there is a possibility that shipowners would do rather well?—Yes. If freights rise and their other expenses do not rise, they will do much better than they do now.

3754. Do you think that the principle of this free indemnity to shipping interests, when there is no compensation for any other interest that suffers in time of war, would be likely to recommend itself to the public at large?—If the public realise that they can pay it in one of two ways, which way they please, and that if they pay it in one way they pay a smaller sum than they pay in another, I think the public would support it, and that is to my mind the only justification for it. If your assumption is right, and they will both have to pay indemnity and pay increased freights in consequence of the risk, then I think the public would be fools to support such a scheme.

3755. (*Sir James Mackay.*) I think you said that in the case of war the trade would probably be disorganised?—Yes.

3756. In what way?—At the present time?

3757. Yes?—I believe there would be a great many vessels laid up to begin with. It is quite common form in debentures of shipping companies to provide that in the event of war the vessels which are given as security for the debenture holders must either be insured against war risks or they must be laid up.

3758. Then you think that the trade to be carried on effectively must be indemnified?—I think so.

3759. And do you think that with an indemnity such as you propose vessels would be enabled to carry on the trade as they do now?—Very nearly, I think. It would depend to a certain extent on these Admiralty regulations—what routes the Admiralty thought they could keep open.

3760. I think you admit that it would be necessary for the Admiralty to stipulate that vessels which were indemnified should obey their instructions?—Yes.

3761. For instance, if a vessel left New York, or Boston, Halifax, Quebec, or Port Said, against the Admiralty's warning that it was unsafe to do so, and was captured or sunk by the enemy, you would not indemnify?—No, unless it was through the negligence or the stupidity of the captain.

3762. But if the vessel were to leave a port where she was safe, say New York or Port Said or Quebec; if she deliberately left the port against the Admiralty orders, would you still indemnify her, although it was the fault of the captain?—You mean the captain wilfully disobeying orders?

3763. Yes; naturally the owner would have the ship under his control if she were lying at a port?—Not every port.

3764. He would in New York, or Port Said, or Quebec?—Yes, in those big ports.

3765. Where the owner can be in effective touch with the captain?—Yes.

3766. Where the ship left one of these safe ports against orders you would not indemnify?—That is really with the owner conniving at the disobedience.

3767. With the knowledge of the owner?—With the knowledge of the owner.

3768. Then you would expect voyages would be fairly safe if the ships proceeded to sea with the consent of the Admiralty?—They should be.

3769. You do not contemplate that the Admiralty would allow vessels to go to sea if it was not safe?—They must to a certain extent. If they want to keep the trade they must take some chances.

3770. But if the Admiralty are to be held responsible for allowing vessels to embark on voyages and the State has to pay for loss, will not the Admiralty be very careful to see that they do not embark on hazardous voyages?—I think it would be a misfortune if they were to be too careful. We want the ships to get through, and the cargoes to get through.

3771. You think they would be fairly careful; they would not allow ships to leave Port Said, for instance, if there was great risk of their being captured or sunk by the enemy?—No, not great risk. We must take chances, or we shall starve.

3772. The Admiralty must take chances?—I think so, certain chances.

3773. Of course they would have great responsibility on their shoulders, would they not?—They have the responsibility now of effectively protecting our ships. It is not only protecting our ships whilst they are lying up in port.

3774. They protect them as far as they can, and no doubt they will continue to do that; but if they are to be responsible for the value of the ships and the cargoes which they allow to go to sea, they will be very much disposed to put restrictions on the voyages. They have no responsibility now?—They have no responsibility now, but they are open to abuse from the shipowner and the cargo owner and the underwriter if anything goes wrong.

3775. They will give warnings, of course?—Yes, but if anything went wrong they would be bitterly attacked. Then they would say, "We took what we thought were prudent chances; unfortunately the ship has not gone through, the ship has been captured; it is a loss of the war, and the country must pay." I should have thought the Admiralty would have felt their hands freer.

3776. If they were responsible?—Yes, if the nation were responsible.

3777. And do you think the trade would be carried on any more freely with the nationally indemnified vessels running under the orders of the Admiralty than it is now, simply with the Admiralty protection, as far as they can give it, without incurring any responsibility?—It is a difficult point you put. Of course you are eliminating all questions of cost of the trade. I should have thought that the trade would not be carried on as freely under the existing conditions as it would be under the indemnity.

3778. Provided the Admiralty take risks?—Yes; simply because the cost of the transport would be so increased that the whole of our trade, or a great part of it, would be disorganised.

3779. Have you considered how many vessels would be likely to be transferred to neutral flags if no indemnity is given, in the event of our being at war with a strong European Power?—No. That must be merely a guess, a guess dependent on how long the war lasts and which is the Power.

3780. Take one of the strongest Powers in Europe?—I could not give you tonnages.

3781. You have not thought of that, perhaps. It would be rather difficult to get the enemy to recognise transfers made during the war, would it not?—I do not think so.

3782. Obviously made for a purpose?—You say obviously made for a purpose, but that is a most difficult matter to prove. The ship is bought and it is paid for.

3783. Suppose a war broke out between this country and a European Power, and a well-known line of steamers—I will not mention any names—was within a month of the outbreak of war transferred to the Spanish flag, do you think that would not be pretty palpable?—A line that had nothing to do with Spain?

3784. Nothing to do with Spain?—May I put another case—not to the Spanish flag, but to the United States flag, and the United States are very proud and very glad to get the line under their own flag. The European Power would think twice before bringing the United States on its back by disputing the validity of those transfers.

3785. Is it quite simple to transfer British ships to the United States?—No; you have to get an Act through Congress, but such things can be done.

3786. You cannot do it without an Act?—No.

3787. It would be rather an unfriendly step for the United States to take towards one of the belligerents, to pass an Act to enable British vessels to be transferred to the United States flag?—I do not know. It is peaceful shipping. There is such a strong cry that peaceful shipping should be exempted from capture altogether.

3788. It would be to deprive the enemy of England of the opportunity of inflicting loss on her?—And very heavy loss on the United States in respect of all the United States cargo which is carried in those ships across the Atlantic. The United States may say, "We are doing this to protect our own cargo, our own exporters."

3789. (*Mr. Beauchamp.*) You think that some scheme of indemnity is absolutely necessary in order that the trade of the country should be carried on. Is that because you think that there would be a large increase of freights, or because the insurance could not be carried on during time of war?—It is freight.

3790. Not insurance?—No. I think the insurance would be found.

3791. You see no reason to anticipate that the insurance could not be carried on in time of war?—No, I think the country is strong enough to commercially do the underwriting of the risk.

3792. You spoke about the Merchant Shipping Act having caused a certain amount of transfer, or the intention perhaps to transfer a certain amount of shipping to a foreign flag. If the capital is not transferred, but only the shipping, do we as a country suffer any harm?—If the home port of the ship still remains here, I do not know that we do suffer any harm.

3793. In the cases that you contemplate, the capital would not be transferred; it would only be a nominal transfer, would it not?—Yes.

3794. And under those circumstances this country would not suffer at all; is that it?—The home port, I think, has a decided tendency to follow the flag. So many States now put in requirements as to surveys and repairs and such things that have to be done under the supervision of the inspectors of the flag. If the shipping is transferred to a foreign flag gradually, the tendency seems to be that the home port comes in that country, the place where she goes home and is discharged, where she finishes her voyage regularly.

3795. But there are cases where English ships do sail under the foreign flag at the present moment. Are their repairs undertaken in the foreign port or in the English port, do you know?—That would depend on the flag. Of course, I cannot admit that there are any English ships sailing under any foreign flag. I agree that there is English capital invested in ships sailing under foreign flags.

3796. But on the East Coast I think there are several fleets of ships which are nominally under the foreign flag, but they are really managed and controlled by English firms?—When you say nominally under the foreign flag, there is an absolute owner of that ship, belonging to the foreign country, who is trusted, and that man can probably do pretty nearly what he pleases as a matter of law. He may have executed mortgages in favour of people who have lent him money, and the rights of those mortgages may be protected, but the foreign subject is the absolute owner of the ship.

3797. But still the management is controlled from this side?—That man is controlled here, but if that man chooses to prove disagreeable, he may make an enormous amount of mischief and trouble.

3798. (*Mr. Huth Jackson.*) You said you preferred Scheme "A"—that is the scheme under which there would be no premium charged—to Scheme "B"?—Yes.

3799. In time of war, do you not think that even neutral shipping would have to pay some premium for war risk?—Yes.

3800. So that if no premium were charged on British shipping and British cargo, that would be an actual bonus in time of war to British shipping?—Yes.

3801. Then I suppose the competition of neutral shipping in time of war would still go on to a certain extent with our shipping in neutral ports?—Yes.

3802. If those neutral ships had to pay some war premiums, they would naturally put that on to the freight?—Yes, if they could.

3803. Do you not think, therefore, that the British ships also sailing from those neutral ports would probably get, at any rate, some portion of the increased freight which the neutral ships had to get?—Yes, that is possible.

3804. So that if there were no premium charged on British shipping they would not only benefit by the absence of the premium, as compared with the neutral ships, but they would also benefit still further by some additional freight which they would be able to secure in competition with the neutral ships?—Yes, that is possible, no doubt.

3805. So that it would be a very considerable bonus?—I do not know what the premium would be on neutral ships. I do not suppose that neutral ships trading here would have to pay anything like the premiums that our ships had to pay in Eastern waters during the late war. They would know that our Navy would play the game, and that they would not sink ships.

3806. But after the experiences of the last war, do you not think the risks to neutrals are considerable?—I hope it is probable that neutrals will not run the same risks in any other war.

3807. You do not think it is likely to be established as a precedent?—I cannot think so.

3808. In any case, whatever the premium was, to that extent it would be a bonus to the shipping?—Yes, it would be, undoubtedly. If you could get at that, and charge that, it would be a fair adjustment.

3809. Would you apply the indemnity to all cargo in British ships, whether it was British owned or not?—I think so.

3810. And would you also apply the indemnity to all cargo in British ships sailing between two outside ports, say, for argument's sake, ships sailing from Buenos Ayres to the Cape. Would you give an indemnity to that cargo as well?—Yes.

EIGHTEENTH DAY.

Tuesday, 25th June 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. THOMAS ESTALL, called and examined.

Mr. Estall, in a preliminary memorandum,* had submitted:—

(1) That, on the declaration of war, ships would be held up until cargo and ship-owners had made arrangements for war insurance that would satisfy bankers and brokers; that conditions would be more onerous than in peace time; and facilities for business would be greatly curtailed.

(2) That the market for war risks would be fairly wide if the Navy is maintained at full strength in comparison with the Navies of other Powers; failing this, insurance would be impossible. That there is no war risk market worth considering outside London, and there is practically no limit to the amount that can be underwritten so long as the business shows a chance of profit.

(3) That prices would undoubtedly increase at least by the amount of the premium charged for war risk.

(4) That a gratuitous indemnity by the State, though no guarantee against capture, would prevent all advance in price due to Lloyd's war risk charges, provided that the Government was prepared to honour its guarantee in the prompt and reasonable way that claims are met on a Lloyd's policy.

(5) That transfer to a neutral flag would be useless, because it would not be recognised by the enemy.

(6) That it would be difficult to satisfy a banker that shipowners and cargo-owners had agreed to the conditions exacted by the State in the event of a National Guarantee, unless the Government issued a policy to which practically no conditions were attached.

(7) That, to satisfy all interests and to provide a document which would be accepted as satisfactory security by bankers, it would be necessary to arrange for collaboration with Lloyd's, and that all claims should be met by Lloyd's as agent for the Government.

(8) That the danger of fraud under a gratuitous indemnity would be very great, since risks would be pressed on the Government that would be refused by Lloyd's, and cargoes would be shipped that were certain to be lost.

(9) That the attitude of a Banker to his customer would not be materially altered in time of war by the existence of a State indemnity, though billbrokers would be obliged to limit their purchases of bills, since they are largely dependent upon the bill-taking banks, and could not purchase to any extent if supplies were not available.

(10) That the present facilities for effecting insurances are so good as in themselves to afford a weighty reason against action on the part of Government.

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3811. (*Chairman.*) You are the Joint General Manager of the National Provincial Bank of England?—I am.

3812. You have seen the reference to this Committee?—Yes, I have it.

3813. It occurs to us that it is of considerable importance to know how the outbreak of war would affect the operations ordinarily carried on by bankers and bill-brokers, and through them the commerce of the country. Can you give us any help on that subject?—The inquiry is, I take it, more particularly addressed to insurance and shipping experts than to bank managers. Of course, I need not tell you that shipping and insurance is a matter that except in a very indirect manner a bank manager is not called upon to go into very largely every day.

3814. No, but the operations of the shipping and of the commerce carried in the shipping depend very largely, do they not, on the financial assistance given by the banks?—Yes. Without the finance I do not suppose there would be very much of either done. The outbreak of war would immediately paralyse the movement of ships. On learning of the declaration of war ships would attempt to make a safe port, and the departure of ships in harbour would be delayed until the cargo and ship owners had made arrangements for insurance against war risk, which would satisfy the bankers, brokers, etc. When adequate provision of this nature had been made banking facilities would be available on the customary lines, but the charges would be much more onerous and the extent of the facilities greatly curtailed. That is, of course, a general answer.

3815. But the whole thing depends upon adequate provision being made for insurance against war risk?—Distinctly.

3816. Do you think that the insurance market for war risks is sufficient to undertake the business that would be offered in time of a serious naval war?—Perfectly.

3817. There is sufficient credit behind the underwriters?—Ample.

3818. Do you expect a great rise in premiums?—That would depend to a great extent with whom we were at war.

3819. Assume the case of a really serious war?—A combination, do you mean?

3820. A combination of two great naval Powers?—Yes, I should expect a very considerable rise.

3821. Such a rise as to interfere seriously with business?—Yes.

3822. Suppose we were at war with two great Con-

* *Vide* note, p. iii.

tinental nations, have you in your mind any idea what sort of premiums would be charged for a voyage across the Atlantic, for instance, for corn coming from the United States or Canada?—Are you including America as one of the nations?

3823. No, two European nations?—I do not know; perhaps 15 per cent. It is a guess only, and I should only like it to be considered as a guess.

3824. Would such a premium stop the trade?—No.

3825. But in your opinion it would considerably affect the prices?—It would affect the prices, because, of course, the insurance would have to be effected, and the prices would be affected by the consequent risk.

3826. There would be many other factors also, I take it, tending to increase prices?—Yes. Those who had stocks would take advantage of it, irrespective of whether stocks were here or not. If the stocks were on this side in the hands of the merchants or at the depôts here, they would take advantage of the rise of prices.

3827. It has been suggested to us by some of the witnesses that those other factors would be so powerful that the rise in the premiums for insurance would really be almost a negligible quantity?—Yes, I should think they would be about equal.

3828. You mean that of the rise half might be attributed to the other causes, and half to the immediate war risk?—I should say yes, as a guess.

3829. Suppose that in the first few weeks of war, before our fleet had dealt with the fleet of the enemy successfully, as we hope it would, there were several captures, what would be the effect of them upon the insurance market?—I do not think it would be likely that there would be any captures before the prime issue was fought out. I do not think it at all probable.

3830. Not in the first few weeks of war?—I should think not. I should say the captures would be extremely unimportant in numbers until the first issue with the navy.

3831. At the present day the loss of a very few ships might involve a very great loss to the insurance market—that is to say, the amount at risk in a single ship is now often extremely large?—Yes.

3832. Supposing there were only one or two losses of that kind, few in number but grave in amount, you do not think that that would seriously affect the extent of the market for underwriting?—I do not think that they would be grave in amount, and I do not admit that there would be many.

3833. I think most of the witnesses we have had anticipated that in the early weeks of the war, whatever the strength of the Navy, there must be considerable losses?—I do not think there would be many myself. But that is only my own opinion.

3834. If the losses were not considerable, if there were very few losses in the early weeks of war, the rates would probably fall again rapidly, would they not?—The premium rates, of course, to a great extent, are raised by fear rather than by actual circumstances. It is anticipation rather.

3835. If experience showed that the anticipations of loss were unfounded rates would go down?—Yes, the competition would bring them down.

3836. In the case of the Russo-Japanese war, was there any difficulty in underwriting risks here in London?—Do you mean in the case of the vessels to Russian ports?

3837. Yes?—I do not know about difficulty; it was expensive, I believe.

3838. And I suppose no bank would have given any facilities for the shipment of a cargo unless it was insured, under such circumstances as that?—I should think not, unless the customer asking for it was a very strong man. If they were depending upon the policy only, of course they would not take the risk.

3839. Suppose the Government were to adopt some system of national guarantee or indemnity, how would that affect, in your opinion, the prices of the commodities in our market. Would it serve to keep those prices near the normal?—Anything that kept the insurance market down would, of course, affect the prices.

3840. Would it do more than relieve the prices of the actual charge for insurance. Do you think it would have any moral effect of a steadying kind beyond that?—No, I do not think it would.

3841. So that the maximum advantage to be obtained in your opinion would be that about half the probable rise might be avoided?—Yes, perhaps so. The rise of prices might be kept down if the Government guaranteed to pay the risks above a certain amount, to be decided upon. Say, for the sake of argument, that the risk had become more than 10 per cent., or 15 per cent., or 20 per cent., or any amount that was decided upon, the Government might take the risks beyond that amount. That would not interfere with the general business of the underwriters. That is the only reservation I make. Of course, I need not tell you I am quite against a National Guarantee, but with possibly that reservation.

3842. That would leave the better risks to be underwritten in the ordinary way by the underwriters?—Yes, and not interfere in any way then with the usual business of the underwriters.

3843. But when the risk rose above that point you would advocate a Government guarantee?—Yes, that is the only reservation I would make.

3844. You have told us that unless satisfactory arrangements could be made ships would be laid up. Do you think that many ships would be transferred to a foreign flag?—They could not be transferred, I take it, whilst they were on their voyage. I think there would be very great difficulty in getting the flag changed after a boat had left, and there would certainly be considerable difficulty in getting ships transferred before they left. Of course they need money to transfer them, and they have to be paid for if they have to be transferred.

3845. It is much more easy to do a big financial operation of that kind to-day, is it not, than it was 50 years ago?—Yes, it is. I do not think there would be any great transfer myself. I think with reference to that I have made a note for my own guidance. I say the transfer of ships to a neutral flag need not be feared; it cannot be done whilst on transit, as the vendee must take possession before the capture, and I query whether neutrals could find sufficient capital at such a time for such a purpose.

3846. If the United States were one of the neutrals, I suppose there would be no difficulty in finding the capital?—Well, they have not been overburdened with capital lately.

3847. They have carried out some very big financial transactions?—Yes, I know. We have carried them out, and I think we are feeling all that pretty much now.

3848. I understand your view to be hostile to any scheme of the kind?—Yes.

3849. Supposing, however, that the Government were to decide to recommend the scheme, may I ask you whether, from the point of view of the banker and the house financing the ordinary transactons of commerce, a simple notification that a scheme of indemnity were in force, provided captains obeyed the Admiralty instructions, would be sufficient for you to carry on your transactions?—We should, I think, want to know what the Admiralty instructions were before we valued that which they gave in return for it. You might make your instructions impossible.

3850. The instructions might, I conceive, in particular cases forbid particular routes; they might even go so far as to say that for a time the Mediterranean must be closed?—Of course, the greater the prohibitions the greater the difficulties you put, the less value your guarantee would have.

3851. Would it be essential from the bankers' point of view to have an actual policy of insurance?—Yes; that is the only evidence that we have of insurance. It is the evidence always. We should require a policy, or we should require some distinct evidence as to what the Government were going to do.

3852. Would an Act of Parliament, general in its terms, be sufficient evidence, or would you think there should be a policy relating to the particular ship?—I think I should like my document to relate to my transaction.

3853. And in that case I presume you would require also that the document should state the value for which the indemnity was given?—If I relied on a document I should like to know exactly what I had. I should want it particular rather than general.

3854. It would not be sufficient to know, for instance,

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that the cargo would be valued at its value at the port of shipment, plus freight and insurance, without specifying the actual sum?—Then, again, that would come into the question whether the person importing take it *ex*-ship or *ex*-quay. The bulk of the stuff that comes over is sold *ex*-ship, I believe, now. It certainly is in Australia. I believe the amount of consigned wheat from Australian ports to this side is very small indeed. I believe it is all sold before it is shipped. It has become very much more general, I believe, now, to sell before shipment than to sell here. It is obvious that it is so much more to the holders' advantage to sell on the spot.

3855. In such a case, supposing that there was a loss, would it be difficult to prove the amount paid for the cargo?—There would be a great deal of fraud, of course.

3856. Invoices would be loaded, do you mean?—Yes, the wheat might be weevil wheat, or bad wheat, or no wheat. You might pay for wheat, or you might not. There would be a tremendous opening for fraud.

3857. It would be a risky business, would it not?—For the Government.

3858. Also for the fraudulent person, because his cargo might arrive instead of being lost?—Yes. He would take care, probably, that it did not. He might do so. That would be one of the possibilities of fraud.

3859. I do not know whether I need ask you what you think the attitude of the other interests affected by the war, that is to say, of the nation generally, would be toward the offer of a general indemnity to shipping and cargoes?—I think it is a little unfair. To take no other case at all, take my own case; I am holding £100 worth of Consols. Consols go down to 75. Where do I come in? I do not benefit by this. I suffer just as much by the outbreak of war. It applies to everything else.

3860. You would suffer more as an individual if commerce were interrupted?—Everybody would suffer. Everything would suffer, besides shipping.

3861. That is really the basis upon which the suggestion is put by the witnesses who are in favour of it, that everybody has got to suffer in some way?—Yes, but you are proposing to pay some people and not others.

3862. Suppose you have no guarantee, and insurance premiums are high, and prices rise in consequence, that has to fall upon the consumer generally, I suppose?—So would your indemnity. Somebody has got to pay.

3863. It is suggested it would be a more equitable distribution of it if it were done through taxation?—You mean that the man who could be got at best would pay. The regular taxpayer in one case would pay, and in the other case he would not?

3864. Yes?—I daresay it is easier to get at the man who has a settled income than it is to get at the man who has not got any. He does not pay. He would pay in the other case. The national indemnity you would levy on the man who has to pay income-tax, the man who is most easily got at.

3865. I did not say what tax it would be got from—the general taxes of the country. In your opinion the danger of fraud is really very great with any such scheme?—Yes, very great.

3866. Do you think that applies equally to the ships themselves as well as to the cargoes?—No, I should think it rather more likely to apply to the cargoes.

3867. You think it would be easier to ascertain the actual value of a ship?—Yes; it has got a life, and it has got a history.

3868. The form of fraud which you anticipate would be the shipping of inferior goods invoiced at the price of good stuff?—That would be one form.

3869. It is an invidious question to ask, but do you care to suggest any other method?—No.

3870. I ask the question, because so many of the witnesses have ridiculed the idea that any serious fraud would be possible. They admit that of course there is always a certain possibility of fraud in the insurance market, and that undetected frauds do occasionally take place, but so many of them have contended that there would be practically no increase of fraud?—I think more frauds would come as a consequence of there being a Government paymaster than would come as a consequence of the business being done by Lloyd's and the banks, with their ability to detect them because of the existing machinery.

3871. Partly because when it is left to private enterprise there are skilled men dealing with the matter, who might not be available to the Government?—Yes.

3872. And partly, I suppose, because everybody is apt to consider the Government fair game?—Yes. We have seen a good deal of that in the South African war.

3873. There is no alternative, is there, between leaving things as they are and some form of national indemnity?—I think not. The only alternative, I think, is that which I mentioned just now—the payment by the Government when the insurances became abnormal.

3874. Are bankers much interested in shipping afloat nowadays?—No; the merchant is much more than the banker. The Eastern bankers, of course, are very much more interested, the Indian banks much more so than the English banker pure and simple. We are interested, of course, indirectly through them, they banking with us; the merchants bank with us. But the merchants are much more interested than the bankers.

3875. The English bankers are often interested in ships in course of construction?—Yes, very much indeed.

(*Sir James Mackay.*) I think Mr. Estall's answer was more with reference to cargo. You were speaking of ships?

3876. (*Chairman.*) Yes, I was speaking of ships?—My mind was rather on the cargo.

3877. Then, as regard the ships afloat, the banks have very little interest?—Very little.

3878. Their liabilities run off practically as soon as the ship is afloat?—Yes. London bankers for many years have practically made no advances on shipping at all. I am speaking now of ourselves; of course, I know our own business best. We make practically no advances—in fact, I think I may say no advances at all on shipping except in course of construction. A considerable amount of advances is made on shipping in course of construction—that is to say, we discount the bills upon the purchaser for whom the ship is being built, and there are various bills extending over a period of one, two, three, or four years, as the case may be. These bills are freely discounted for the wealthy shipbuilders, and the bankers are certainly considerably interested in them. We are ourselves; we do a considerable business with the large shipbuilders on the Tyne, the Wear, and the Tees. They draw bills, and we discount them.

3879. That part of your business would not be seriously affected by war risks?—No; the vessels are here.

3880. And you would still be able to give credit?—As a matter of fact, the bills should disappear when the vessel is handed over. I do not say that they always do.

3881. They probably would, I suppose, if war were actually in progress?—If not, you would have your acceptor or drawer. If the ship disappears from the building yard before the obligations were paid, you would still have the obligants on your bill.

3882. The operations of those who purchase commercial bills, bills drawn against cargo, would be very much restricted on the outbreak of war, I suppose?—They would be restricted, of course. Others than bankers are restricted as to what the banker is doing. You may take it that purchasers of bills in the discount market are practically dependent on the power of the bankers to re-discount for them. It is obvious that they can only discount directly to the extent of their deposits and their capital, and if you look at the balance sheets of any of the discount companies you will see that the amount of the bills that they rediscount is out of all proportion to their deposits and their capital. It is enormously out of proportion. The consequence is they depend upon the bill-taking banks, and the Bank of England, of course, as a last resource; they do not go there until they have exhausted the other supplies. They depend entirely upon the power of the bill-taking banks when they have exhausted their deposits and their capital.

3883. (*Sir George Murray.*) I think you said that

you would prefer to a scheme of free indemnity a scheme under which the nation would take over all insurance above a certain amount?—That is a reservation to my objection to the whole thing.

3884. Do you think that would be a practical scheme?—I do not think it would be attended with so many difficulties as the whole guarantee, and I think it would tend perhaps to make competition keener between the insurance brokers first, and so tend to keep down the prices. I should not like to give it as a very decided opinion. It is purely an insurance question.

3885. And the arrangement would be, I suppose, that the Government would pay the underwriter all losses above a certain amount?—Yes.

3886. Would that be more equitable, do you think, to the country at large?—I think it would be easier. I do not know that it would be more equitable, I think it would be more workable.

3887. It would have the same objection that you mentioned to the others?—Yes. It is full of objections, I admit. I do not put it forward as an alternative in any way; I merely put it forward to modify a little my total objection to the whole thing.

3888. Then as regards the question of fraud, I did not quite follow why you thought that the Government was so much more exposed to fraud than the insurance companies would be?—They are so much less capable of dealing with questions of this sort. They have not the experience of the insurance companies and Lloyd's.

3889. No, but the assumption would be, I suppose, that they could get expert assistance to enable them to decide on claims?—I daresay they could get it, but when they had got it, I do not think it would be equal to the machinery which has been in existence at Lloyd's for generations.

3890. (*Sir George Clarke.*) Have you considered what the financial effect of embarking on a great war would be upon us; a war in which the issue was not certain, and the expenditure was certain to be enormous?—Do you mean whether it would cause a panic?

3891. Whether it would cause a great panic in London, as we have been told it might?—No, I do not think so.

3892. It has been pointed out to us that the outbreak of war, even when we were not concerned, has generally produced panics of some dimensions in the City, and that therefore on the outbreak of a war in which we were engaged, the panic would be much greater?—What panic followed the outbreak of the last war?

3893. The specific case which has been laid stress on is the war of 1870, which produced a panic in the City. It was not long, but it was considerable while it lasted?—I do not think wars between other nations have produced panic here. You are speaking of the Franco-German war of 1870?

3894. Yes?—The stringency was of very short duration. A good deal of trouble was caused in the Franco-German war; there was a tremendous disturbance, because such an enormous number of Germans left England. At the time of the Franco-German war practically every German gave up his situation and went over. There was a great disturbance; I do not think it was a panic. I do not recollect it as a panic.

3895. (*Chairman.*) It is suggested to us also that very great disturbance was caused by the large withdrawals of gold at that time?—It is a long while back to recollect. I do not know, I am sure; but I do not think so. The probability is that would not happen again, because the amount of gold that the foreign nations have compared with 10 or 12 years ago is extremely large, so that the withdrawal of gold I do not think would be so necessary. I have a note here that the increase of gold of the State Banks of the world since 1894 is £350,000,000, so that the State Banks of the world have during these last 12 or 13 years increased their storage of gold by £350,000,000. The United States, for instance, has £150,000,000 more of gold than it had 12 or 13 years ago. The year 1894 is the date I have taken. England, as a matter of fact, has only £4,000,000 more than it had in 1894. I am taking the State Bank.

3896. Have you any means of knowing how the amount of foreign money in London compares with the same period?—It varies very much indeed. Of course, quite recently we have had the use of some French money in London.

3897. (*Sir James Mackay.*) It depends upon the rate of discount, I suppose?—Yes. If this market is higher, if bills give a better return in this market, the tendency is for French and German money to find its way here.

3898. (*Chairman.*) There is nearly always a very considerable amount of German and French money here, is there not?—I should not think there was very much German money here at the present moment, and not a great deal of French.

3899. (*Sir James Mackay.*) There is a great deal of Japanese money?—A great deal of Japanese. Japanese money here has been, I might say, the disturbing factor. At the same time, it has been most useful to us.

3900. That Japanese money was borrowed from ourselves?—Yes.

3901. (*Mr. Lindley.*) There is a lot of Colonial money here too, is there not?—Yes. The Colonials have been getting exceedingly good prices for their goods, and there is a great deal of Colonial money available. That is why, more particularly on the Stock Exchange accounts, two or three months ago the prices fell, because of the Australian money being lent in the House to the stock market.

3902. You mean for carrying over?—Yes, for carrying over. That was mainly caused by the balances of the Australian banks being large, and they were able to employ the money at the high rate ruling, 4, 4¼, and 4½ per cent., 2 per cent. more than they could get from their bankers.

3903. (*Sir George Clarke.*) The evidence we received about the war of 1870 was that the outbreak of war caused great apprehensions, and the result was one of the biggest panics on the Stock Exchange which the Stock Exchange has ever known. You do not agree with that?—Well, 1870 is a long while back. I cannot recollect the nature of the panic.

3904. And you do not think the amount of foreign money likely to be in London at the outbreak of war, and likely, therefore, to be recalled, would constitute any financial danger?—No, I do not think so. But take Germany, for instance. She has got tremendous use for her money at the present time. Her trade is so very large that I do not think it is likely that for some time to come she will have much money here. France, of course, might have, if her disturbances there were very continuous. French money would then come here; it always does. It came here very largely before the Franco-German war.

3905. Would that money continue to come if we were at war ourselves?—No, I do not suppose it would.

3906. You do not think that we from our position as the commercial centre are more exposed to panic at the outbreak of war than other peoples?—No, I should think possibly France is more so than we are now, by the enormous indebtedness of Russia to her.

3907. You say that there would be delay after war is declared, until the ship and cargo owners had made such arrangements as would satisfy bankers and brokers. I suppose if there were no State insurance in operation that delay would certainly occur at first?—There would be delay in both cases. The Government would not be any more expeditious than the present machinery, nor so expeditious. I should expect them to be very much more slow.

3908. So that in either case there would be a temporary delay until the bankers and brokers were satisfied?—I think that is inevitable.

3909. Have you any idea how long that delay would last?—It would depend so much upon the nations against us, or as to who was against us.

3910. But from that cause alone you anticipate a sudden check to the operations of commerce on the outbreak of war?—Yes.

3911. And if, as the war went on the insurance markets became very restricted, I suppose there would then come another check?—Yes; the more restrictions the greater the check.

3912. I think you said also that the war risk market would depend on the strength of the Navy. You mean, I suppose, on the public estimate of the strength of the Navy at the time of going to war?—The whole thing is

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a question of the strength of the Navy, absolutely. There is no argument about it; the whole food supplies, the whole commerce, and everything, entirely depends upon the strength of the Navy and the number of cruisers capable of protecting our commerce. That sums up, in my opinion, the whole thing. It is all summed up in that.

3913. You think that the initial rates would be settled really by the public estimate of the potency of the Navy?—And performance, of course.

3914. But performance has not come into play?—But the public would see the disposition of the forces at once. Rates would go up immediately, of course.

3915. And afterwards rates would depend upon the results?—Upon the capacity of the country to hold its own.

3916. When you speak of 30 per cent. of losses as making rates too onerous, do you mean 30 per cent. per annum losses?—I put that as a very outside risk, at which business would practically cease.

3917. Of course, the period matters very much?—I take it it would all take place during from three to six months.

3918. But suppose a loss occurred in the first few weeks which was equivalent to 30 per cent. per annum?—I do not think it is possible that it could occur to that extent in the first few weeks.

3919. But if it did, and the loss in the first few weeks was equivalent to 30 per cent. per annum, do you think that would cause premiums to become too onerous?—They would be very high, of course.

3920. And you consider, I think, that if the gratuitous guarantee by the State was agreed to, it would satisfy the bankers and the brokers only if prompt settlement were assured?—Yes.

3921. And you would also demand a document?—Yes, I think so.

3922. There would have to be documentary evidence that the shipper was covered?—I should want to know that there was no possibility of the Government getting away. I do not suppose that they would wish to do so, but I should like to know that my document covered my transaction.

3923. And the amount covered?—Yes.

3924. You also said that a national guarantee would not satisfy a banker unless the policy were issued with practically no conditions?—Yes, I should like a practically unconditional policy.

3925. But the underwriters would probably impose conditions if we left it to the open market?—Yes, I should think so.

3926. And those conditions would probably be to follow the instructions given by the Admiralty?—The ordinary Lloyd's policy, do you mean?

3927. There would probably be special policies, I suppose?—Yes, I suppose there would.

3928. But you would not be quite satisfied with an ordinary underwriter's policy if it involved conditions of that kind?—I should like the Government policy to be at least as good as the Lloyd's policy. I should not like to take a policy which was full of conditions as to routes and cargoes and other things. I take it that you are proposing to offer something rather better by this guarantee than exists. Is not that the idea, that the Government should do something better than a Lloyd's policy under this proposal?

3929. Of course we do not know in the least what a Lloyd's policy would be the moment that a war broke out. I am afraid nobody could tell us that. You noted, of course, in the paper sent to you that both schemes "A" and "B" were to be subject to all the conditions laid down by the Admiralty?—Yes.

3930. Then I think you say that the risks that would be refused by Lloyd's would be pressed on the Government, and cargoes that were certain to be lost would be shipped. But the conditions the Admiralty would have laid down would surely be such as to prevent the certainty of loss?—Then there would be delay.

3931. There would probably be delay, but the certainty of loss, I think, is prevented?—Then there would be great delay, and delay, I think, would be fatal.

3932. On the whole you are decidedly opposed to the State doing anything in the matter?—Very much indeed.

3933. You think that commerce can get on without it?—Quite well; always assuming that the Navy does its work and the number of cruisers and such like are sufficient. It is all a question of the Navy.

3934. Your one exception is that the Government should only come in when the premiums rise above a certain figure?—That is the only reservation.

3935. Would not that have a tendency to force up premiums to the height at which the Government would come in. You would have to settle that at the time. I take it you would not make any hard and fast figures in peace time. You would settle the figure at which you would come in in the time of war.

3936. That would entail great political pressure to fix it, would it not?—No doubt it would.

3937. If there were any form of Government guarantee would you rather prefer that the premium should be paid to the Government than that it should be purely gratuitous?—Do you mean premiums to be paid always?

3938. No, continuously during the war. I think you have said that the gratuitous issue of policies would be unfair to other interests?—Yes.

3939. So that you would prefer, if anything were done, that the insurer should pay a premium to the Government?—It would be more equitable.

3940. (*Sir James Mackay.*) I take it that a very considerable portion of the value of the shipping afloat, especially vessels of not more than four or five years old, must be financed by the money market always. I think you said that banks and discount houses had not very much interest in ships after they were put into the water?—Yes.

3941. But I take it that a great many of the shipbuilders' bills on owners run on for four or five years?—A good many of them. They run on after the vessel has been floated.

3942. So that the money market does have a very considerable stake in the preservation of shipping at sea?—The quantity of bills representing vessels at sea I think is a very moderate proportion of the bills in the market. It is a very small percentage in dealing with the whole total.

3943. Yes, but still I fancy it is a very considerable percentage in the value of ships afloat represented by bills in the money market for the first four or five years of their life?—I should think the percentage is moderate.

3944. You spoke of 15 per cent. insurance premium as what would probably be charged, if we got to war, say, with France and Germany, for goods coming across the Atlantic. Would not 15 per cent. for a voyage across the Atlantic be rather a heavy premium?—Yes, very.

3945. The premium, I take it, would depend altogether upon what our Navy was able to do to the French and German Navy?—Absolutely.

3946. You said two Continental Powers; I suppose you were thinking of France and Germany?—Yes.

3947. If our Navy was able to destroy or bottle up the other two navies, I suppose the insurance premium would be something very moderate?—Very small indeed. I think you may take it that nothing, or practically nothing, would come through the Mediterranean unless we had the entire control of it absolutely. I do not think anyone would risk sending their boats through the Mediterranean, unless they were perfectly certain that the English fleet held the whole of the Mediterranean.

3948. Even in the case of a national indemnity, with vessels running under Admiralty orders, I presume the Admiralty would only allow vessels to leave neutral ports, such as Port Said, provided they were perfectly satisfied the ships would get through to England all right?—Yes; the Admiralty would stop them going through the Mediterranean if we did not hold the Mediterranean.

3949. And so long as the Admiralty were unable to hold the Mediterranean our food supply from India and the Black Sea would not come?—No, it would be absolutely stopped.

3950. Can you give us any idea of the percentage of our wheat and oats and barley that comes from India and the Black Sea?—I should think out of the four-fifths of the food supply for which we depend upon outside sources fully 30 per cent. comes through the

Mediterranean. It is a guess only. I have not statistics or figures before me. I should not be surprised if it were more.

3951. (*Mr. Llewellyn Smith.*) It varies enormously in different years?—Yes. In saying 30 per cent. I should rather be taking an average of perhaps five or six years.

3952. (*Chairman.*) Would the Indian trade necessarily stop if the Mediterranean were blocked. Might it not come round the Cape?—It could, of course. It would take longer, and that would be an important matter, considering that our supply of wheat here is, I think, generally admitted to be about six weeks.

3953. Only at one point in the year?—Do you mean we have more at other times than six weeks' supply?

3954. Yes?—I should take it, as an average, at six weeks. I make out that the supplies are pretty regular.

3955. I think the Food Commission put it at the lowest at three weeks, and that there was a variation between three weeks and three months' supply?—Three months' supply here at a certain period?

3956. Yes, as a maximum?—I think it is a very high maximum. I should take six or seven weeks as the average, because the supplies are so regular.

3957. (*Mr. Llewellyn Smith.*) Are not you speaking of different things. I think the Commission included the whole crop. You are speaking entirely of importation?—Entirely of importation.

3958. (*Chairman.*) I was speaking of wheat in the country, and therefore available?—I was speaking more of imported wheat.

3959. (*Sir James Mackay.*) Then, of course, if our fleet did not hold the North Atlantic and the entrance to the English Channel we might be cut off from America?—Yes. You see the American wheat comes along mostly in August and September. A good deal would depend on the time of year when war was declared.

3960. The Argentine supply would also be cut off?—Yes; the Argentine supply comes along in January, February and March principally.

3961. And so would the supply from the Cape?—Yes.

3962. Therefore if the Admiralty did not hold the Bay of Biscay and the entrance to the Channel, presumably they would not allow vessels to leave, say, New York, or Boston, or Canada, or the Cape, bound for England?—No; they would drop it, I should take it.

3963. Would a national indemnity for vessels and cargoes destroyed in time of war in such an event give us our food supply any better?—No. Whatever indemnity you give does not get the food here. Getting the food here is the whole crux of the thing. You want your food; you do not want an indemnity.

3964. (*Mr. Beauchamp.*) You think that the present insurance market is quite large enough to deal with the insurance problem in time of war?—I do.

3965. That is rather based on the assumption that the captures would not be very large in the early stages of the war?—That they would not be abnormal. I do not think that they would be very large in the early stages of the war.

3966. I do not know whether you have looked at the result of the Naval Manœuvres in the autumn of last year, which were directed to the protection of commerce and to attacks upon commerce. The captures during the first week were very large indeed, were they not?—Yes, they were.

3967. If we had a considerable number of captures in the first week of a war, do you not think the insurance market would dry up; there would be such a panic that they would say they would not take any more risk?—I do not think there would be a considerable number.

3968. But on the assumption that there would be, do you think the insurance market would dry up?—If the captures were very large indeed, I do not think it would dry up, but it would go up very high. The source is so very extensive that I do not think it would dry up. I think it is so very ample for all possible purposes. It would be dear, but I do not think it would dry up.

3969. You think it would still provide all that was necessary?—I do, as long as the Navy and everything else was getting ready for the final issue. I think the final issue would come before the captures were considerable.

3970. Then you think that any system of indemnity would be unfair to the general community?—Yes; I think it is a preference.

3971. And you have instanced the fall that there might be in the price of Consols held by the individual, that they might go down to 75?—Yes.

3972. But the capture would be an absolute loss. The fall in Consols would be temporary, and they would rise again. Therefore, in the one case you have an absolute loss, and in the other you only have a temporary loss?—Of course the credit of the Government would come back again. The results would settle the price.

3973. (*Chairman.*) I suppose you fear you might be ruined in the meantime?—If you wanted to sell. You might have to sit very tight on what you had got or realise your loss. It would depend upon whether it was your money or somebody else's, and what somebody else was going to charge you.

3974. (*Mr. Beauchamp.*) There was a question, supposing an indemnity of some form should be recommended, whether it would be necessary that there should be some document in the form of a policy or something of that kind before the banker advanced his money. I think you said it would be necessary that there should be some document?—Yes, I think so.

3975. Would it not be quite sufficient if there were an Act of Parliament stating that the owner of any cargo liable to capture carried in a British ship should be indemnified?—Without any conditions at all?

3976. Without any conditions?—I do not think Parliament would say so.

3977. That is in the scheme. There would be conditions attached that the captain of the ship should conform to Admiralty regulations?—Of course, if you had an unconditional guarantee, covering anything, the interested parties would have no reason to object, but I do not think it is likely or probable that you would get such an Act passed.

3978. (*Mr. Lindley.*) You were speaking just now of the question of possible panic rises in prices at the commencement of a war. Do you think that the indemnity of the Government, whether paid for or gratuitous, would prevent a panic?—No.

3979. It would have no effect upon it?—Practically nothing.

3980. You mentioned the possibility of fraud, particularly with regard to cargoes. Would not that necessarily imply collusion on the part of the shipowner or the captain?—Not necessarily the captain.

3981. Then the shipowner?—No, I do not know that it would.

3982. How would it be possible for the cargo owner to perpetrate a fraud, we will say, for instance, to provide for the loss of the ship and cargo, without there was collusion?—The cargo might be an indifferent cargo, and the Government would have a claim made upon it for a first-rate cargo.

3983. Would not the captain and officers take good care to see that they did not run into unnecessary danger?—It is quite possible there would be connivance.

3984. I do not quite understand why, in the suggested gratuitous indemnity, no conditions should be attached. If you get a gratuitous indemnity, should not the Government have a right to dictate the terms on which they give it?—Yes, and their having that right would deter a banker from taking it.

3985. That is what I wanted to get your view upon. Have you ever seen a Lloyd's war policy, with restrictions?—I have never read one right through. I take it in bits.

3986. (*Mr. Llewellyn Smith.*) I gathered from your answer to Mr. Beauchamp that you think that, even if your forecast is wrong, and the forecast of some of the other witnesses is right, that at the beginning of the war there would be an abnormal number of captures, still your general view would not be changed?—That is so.

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3987. You think the insurance market would be wide enough?—Yes, I think so.

3988. That is to say, there would be enough people who would be willing to take the risk?—Yes. When I say Lloyd's, I include, of course, the companies.

3989. Yes. They would be the more speculative individuals, I suppose, who would go in for those risks?—They are speculative, of course.

3990. Have you any idea at all of what the amount of the immediately available capital behind that form of insurance would be. I know it is very difficult to give an idea?—I do not know. It is very large.

3991. Do you think it would be very large?—The capital behind Lloyd's as Lloyd's? The capital available for insurance, do you mean?

3992. Available for this form of insurance—available behind the people who would be likely to take it up?—Yes, very large.

3993. Large enough to meet abnormal losses?—Yes.

3994. In fact, you as a banker would not feel any disturbance at the idea that the policies issued would not be honoured?—I should not.

3995. If there was a feeling of that kind among bankers, I suppose it would be very serious, would it not?—I have never heard anyone express that myself. I certainly should have no fear. I never have had any fear.

3996. (*Mr. Gladstone.*) You would select your policies, of course, distinguishing one company from another?—Well, they are all very good.

3997. (*Mr. Llewellyn Smith.*) The suggestion is that you would not be able to select a policy; there would be an enormous number of these risks that would be covered that would be very speculative risks?—I understand.

3998. (*Mr. Gladstone.*) What I mean is that there are certain second-class companies, whose policies you would not take?—I should put it in another way—that there are enough first-class companies, with Lloyd's, to cover them.

3999. (*Mr. Llewellyn Smith.*) Who would not draw in their horns?—Whose resources would be equal to the necessities, I think.

4000. And who, in your opinion, would be likely to go in for that particular form of risk?—Yes, certainly.

4001. The only exception you made was that in the case of very heavy risks there might be something to be said for the Government stepping in?—Yes. I am not strong upon it, but that is as an alternative.

4002. By heavy risks you mean risks above a certain rate, I suppose?—Yes.

4003. You were not speaking of the amount at issue?—No; above a certain rate.

4004. Would the Government fix a rate of premium pretty high, and say "Anything above that we will take"?—I think they should fix it fairly high, so as not to interfere with the proper Lloyd's business, which is in existence always.

4005. They would do insurance business at that fixed rate—10 per cent., or whatever the figure that is fixed?—Yes. I think they should fix it fairly high, and then I think the competition would keep it down probably below that.

4006. The result would be that that would be the maximum to which rates could rise, because anything above that would go to the Government?—Yes, as an alternative. This is only an alternative.

4007. Quite so. Why could not that rate be fixed once for all in peace time? I presume it would be fixed by a consideration of the rise in prices?—If it was in a document I should not mind whether it was done in peace time or war time, only if you did it in peace time you might have to vary it in war time.

4008. Why?—Circumstances might render it necessary. I should see no objection to fixing it in peace time if you elected to do that.

4009. One other exception has been suggested, and that is in the case of ships and cargoes afloat at the outbreak of war. Would you give any indemnity for those, so as to prevent any possibility of panic?—I think if you did the one there would be no objection to your doing the other. The great object is to get the stuff here. That is the point. That is what you want.

Mr. Joseph Paton Maclay, called and examined.

Mr. J. P. Maclay.

Mr. Maclay, in a preliminary memorandum,* had submitted:—

(1) That a national guarantee is probably the cheapest, easiest, fairest, and safest way of meeting war losses, since it would cost nothing in time of peace, and would save the country the expense of war insurance in times of international tension.

(2) That only British vessels bound to and from any port in the Empire, and cargoes on such vessels, should be covered. The responsibility of the State to be limited to such risks as would confer benefit upon the entire community.

(3) That foreign cargoes on board British vessels bound from one foreign port to another should be excluded, since the fear of fraud and the cost of investigating and meeting claims, if these were included, would be out of all proportion to the advantages to be derived.

(4) That the effect of an indemnity would be to concentrate our own tonnage in our own trades, and might even lower freights.

(5) That on the declaration of war the transfer of British vessels should be absolutely prohibited.

(6) That the national indemnity should be gratuitous, and that Scheme A is preferable to Scheme B.

(7) That the conditions to be attached to the granting of an indemnity should include the power of regulating the movements of shipping, but that it should be open to shipowners to remain outside the scheme altogether if they preferred to do so.

(8) That the capacity of the market for war risks to bear a series of heavy losses in the event of a serious war is doubtful.

(9) That a committee of experts could fairly adjust the premiums to the various trades and cargoes according to the risk, should the Government decide that a scheme of insurance was preferable to a scheme of gratuitous indemnity. But that any such arrangement would retard commerce, and entail great labour and inconvenience.

(10) That under an indemnity the parties to be recognised as the owners of the goods in the event of loss should be the holders of bills of lading and original invoices.

(11) That claims should be strictly limited to the loss sustained, and that the value of the ship should be her fair sound value at the outset of the venture, including her provisions and stores, and other disbursements incurred to make her fit for the voyage contemplated. That the value of the cargo should be taken at the prime, or invoice, cost, together with expenses incidental to shipping it, including advanced freight, if any. The value of the freight to be the freight at shipowner's risk at time of loss, minus the cost of earning it from that time.

(12) That the cost of laying up a ship depends on the character of the ship, but that at home, and outside the interest on the capital involved, the cost would be comparatively trifling.

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* *Vide* note, p. iii.

4010. (*Chairman.*) You are the senior partner, I think, of the firm of Maclay and McIntyre, shipowners, of Glasgow?—Yes.

4011. Do you mind telling the Committee how many steamers your firm owns?—We have forty-one steamers at present.

4012. Trading on any particular routes, or generally?—Not on particular routes, but generally.

4013. In the précis that you have been good enough to send me you mention that you have had some assistance in compiling it?—Yes, from Mr. Fred Gardiner, of Messrs. James Gardiner and Co. I may say we have been interested together in some shipping matters, and we consulted over it, and that is the result.

4014. The views that you are going to give us are the result?—Yes.

4015. First, let me ask whether you think it desirable that the State should undertake to make good to shippers and traders losses incurred through the capture of shipping in time of war?—It is desirable that the State should undertake to make good to shipowners and traders losses incurred through the capture of shipping by the enemy in time of war, with limitations stated hereafter. I incline to adopt, generally, the view as expressed by Captain Inglefield, Assistant Director of the Admiralty, before the Royal Commission. He said, "It appears to me that a national guarantee is the cheapest, easiest, fairest and safest way of meeting war losses. It is the cheapest, because the country would only pay for the actual cost of the losses, and would not, as they would by war premiums, pay several times over for them. It is the fairest, because it would throw the cost on the taxpayers instead of, as war premiums do, doubly on the working classes by means of increased cost of their food.

4016. You are inclined to adopt that view?—Generally.

4017. As regards its being the cheapest alternative, is it not the case that the loss to the country, as a whole, is the same under any circumstances, though the profits or losses of particular individuals may be different?—There is something in the point you make, but it is the cheapest, at least, I think it should prove the cheapest, because underwriters only take risks for the purposes of gain.

4018. It would eliminate their profit?—It would eliminate their profit.

4019. After all, that profit would be made in the country?—To a great extent it would.

4020. But that would be the extent of the saving to the consumer?—I think so, on the face of it. Of course, the great feature would be that the country would realise the safety of the position, and the general trade of the country would not be affected, as I believe it would be otherwise.

4021. There would be a good many factors besides war premiums that would be affecting the trade of the country in time of war?—I think the premiums a minor feature, against the definite position which such a scheme would give.

4022. In your *précis* you suggest another advantage that would attach to such a scheme?—Yes. Another important advantage of a scheme of national indemnity is obvious; it costs nothing in time of peace. In times of international tension the shipowner not infrequently thinks it prudent to cover the risk of war, and this at once influences freights upwards. Under a national guarantee this expense to the country would be obviated.

4023. But the losses which fell to be borne by the nation under such a guarantee would be spread over the whole community, would they not, through taxation?—Undoubtedly that is so, but in the meantime the tax is detrimental to the country. For instance, for many years my own firm insured against war risks year after year, and we had, as a consequence, to charge increased freight.

4024. But supposing the indemnity did not apply to ostrich feathers or diamonds from South Africa, people who wanted a luxury like ostrich feathers could very well afford to pay the extra price which was involved in the extra freight?—It might be, but it means that they have to pay more. Every item that you add to the expense of running the ship means that the shipowner requires increased freight.

4025. Yes, but so far as that charge falls upon articles of luxury like diamonds and ostrich feathers, it would be rather unfair, would it not, to transfer the burden to the general taxpayer?—If you consider that war is brought on not by any act of the shipowner, but entirely for the benefit of the country, by the Government, the position is at once altered. One of the main trades of the country is the shipping trade, and immediately that is affected the whole country is affected.

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4026. You spoke just now of certain limitations which should be attached to any scheme. Would you tell us what they are?—The limitations I would propose are as follows:—That only British vessels bound to and from any port in the Empire (it matters not from what country they come or to what country they go), and cargoes on board of such vessels should be protected against war risks by the British Government. In my view the responsibility of the Government should be limited to such risks as would confer benefit upon the entire community, and it would be impolitic to extend protection to risks which only benefit a section of the community. In other words, I do not think that a good claim could be established that all British ships should be protected in whatever trade they might be engaged, nor do I see that a sound argument could be advanced in favour of protecting foreign cargoes on board British vessels bound from one foreign port to another.

4027. Let me take the first point first. Would not a good many steamers be making round voyages, some portion of which would be between foreign ports? A vessel might leave this country with a cargo of coal, proceed to one foreign port and discharge that cargo then go on to another port, pick up her cargo, discharge that at yet another foreign port, and then perhaps again pick up a cargo which would be brought home to this country?—That very often happens.

4028. Would not your scheme rather break down if you left an unprotected gap in that portion of the round voyage which was between foreign ports?—I do not think I leave any unprotected gap, because if the shipowner is carrying cargo to and from foreign countries, he has an opportunity to cover his own risk, and in the same way the cargo which is carried by the steamer would be covered.

4029. The protection of the guarantee of the State you would confine, therefore, solely to cargoes going to or coming from a British port?—Yes; it matters not where they are going to or where they are coming from; in other words, Empire trade.

4030. On what ground do you exclude foreign cargoes in those vessels?—Because I do not think we have any direct interest in those foreign cargoes. The nation, as a nation, has no interest, I take it, in cargoes going, for instance, from New York to France, or New York to Germany, or vice versa.

4031. No, but I was intending to ask you about your second point, that even in the case of vessels going to or from a British port you would confine the indemnity to British cargoes in those vessels?—I look upon all cargoes coming to our ports as British, in the same way as I look upon all cargoes going from our ports as British. Whatever is for the use of the people of this country under the British flag, to my mind should be covered in coming here, and the same thing in the way of exports from this country. Imports to this country and exports from this country, I think, should be covered, my idea being that as far as possible the normal condition of things should continue to exist here in the time of war.

4032. And for that purpose you think it would be sufficient to cover vessels and cargoes proceeding either from or to a British port?—That is my view.

4033. Ignoring British vessels and the cargoes in them when they were trading between two foreign ports?—That is so.

4034. In that way you hope that the cover given to British ships and the cargoes in them would maintain the freights to and from British ports at approximately their peace level?—I think that is so. In fact, I should think it would be altogether to the advantage of the shipowner who was especially engaged in trades outside of the Empire.

4035. You would expect the freights in the trades outside the Empire to rise?—To be more remunerative than the freights within the Empire.

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4036. Might that not have the effect of tempting the shipowner to those trades rather than to the trades upon which our supplies or exports are dependent?—No doubt it would to some extent, but you cannot get trade sufficient to utilise the British shipping in that way, and my own view is that with such a scheme as this you would certainly not have anything to speak of in the shape of a rise of freights, and possibly there would be a lowering of freights, which would be entirely to the advantage of the Empire. It might not be to the advantage of the shipowner, but I believe it would be to the advantage of the Empire. Then I say here that the only ground on which this could be urged is that it is of vital importance that the British shipping trade should not suffer by war.

4037. That is in connection with the suggestion that foreign cargoes on board of British vessels bound to foreign ports should not be protected?—Yes. But apart from the difficulty of satisfactorily investigating and meeting claims under this wider cover the cost might be out of all proportion to the advantage derived, and further that advantage would attach specially to the mercantile marine and not so much to the general community. If, as I have suggested, the cover is given to British vessels and the cargoes on board bound to and from British Empire ports, then I submit that the freights in these particular trades should not advance materially; indeed, as British vessels would require to cover the war risk whenever they went outside of the limits I propose, it must be obvious that the advance in freights would really fall upon the trades outside those protected by the British Government, and that the tendency would be that such freights would rise very materially while concentration of our own tonnage in our own trades would in point of fact tend to lower these freights. I need not enlarge on the difficulties incident to an insurance scheme on a wider basis, nor do I think it necessary to enter into detail as to the heavy cost that this more comprehensive policy would involve. Anyone conversant with the course of British shipping, and giving due weight to the enormous share we have in the carrying trade, not only for ourselves, but for other countries, will readily appreciate the gravity of the risk indicated. In my view the working of any insurance scheme which embraced all the foreign cargoes carried by British ships in all parts of the world would lend itself to fraud, and any satisfactory check or control over such business seems to be impracticable.

4038. Do you think it would be easy for the Government to protect itself against fraud under a scheme within the limits you have suggested?—I think so.

4039. To ascertain without great difficulty the value of ships lost?—I do not think there is any difficulty.

4040. Or of the cargoes carried?—I do not think there would be any difficulty. Such a course it will be understood would not keep any British owner from carrying goods from countries outside the British Empire, but the owners of vessels doing such trades would run their own risks or insure with underwriters, and have no indemnity from the British Government. This would doubtless mean that there would be a great rise in freights from and to countries which are usually served by British shipping, but the increase of freights would enable owners who desired to continue business outside of the Empire to compensate themselves for the risk.

4041. Would you allow the owner who was engaged in a trade where he got the British indemnity to make an additional insurance against war risks?—I do not see any harm in it. I do not see anything that could be said against it. He would be satisfied, I should expect, with the British indemnity, but he might think of risks outside those that should be covered.

4042. Of course the object of the indemnity is to get the ships and their cargoes here, is it not?—That is the object, to keep the trade of our country as far as practicable in its normal condition.

4043. If it becomes more profitable to lose the ship than to bring it safely home, the temptation to fraud at any rate is increased?—Yes, but I do not think there is much in that. You sometimes hear those suggestions made, but I think the ownership of the country is beyond that. A man might not object to lose his ship; we can conceive of circumstances such as that, but you can conceive of very few shipowners desirous of throwing away their tonnage.

4044. Supposing there were no guarantee of the kind, what do you imagine would happen?—We should require as shipowners to insure our own risks as well as we could, so far as that was practicable.

4045. Do you think there would be much difficulty in doing it at a rate?—I think if the war was a war of any scope at all the difficulty would be to find underwriters. That has been experienced in the past.

4046. And if the shipower failed to find an underwriter you are afraid that he would either lay up his ship or transfer it?—He must have freight proportionate to his risk.

4047. And if he could not get that I gather it is your opinion that there would be a real danger of transfers of British shipping to a foreign flag?—I think so.

4048. Will you give the Committee your suggestions on that point?—I now come to what appears to me of the greatest, in fact, the most vital importance, that with the declaration of war a law should immediately be passed absolutely prohibiting the transfer of British vessels during the continuance of war. Unless such a measure were taken there would be grave danger that our tonnage would be freely bought up by foreigners, and that irreparable damage might be done to the position of the British mercantile marine. It should never be forgotten how the American nation lost its large share in the ocean carrying trade of the world during the time of war. I understand year after year the transference from the American to the British flag went on increasing, and culminated in 1863, in which year between 300 and 400 vessels are said to have been purchased by British shipowners from America and added to our tonnage, and at the close of the war the American fleet, by sale to foreigners, transference to other flags, or capture, had practically ceased to exist, this result being to a great extent brought about by a few cruisers in the hands of the Confederates. The intention to pass such a law would require to be kept absolutely private, as otherwise the American nation, for instance, might see the danger, which to them would be a very real one, because, as already indicated, freights from America to ports outside of the British Empire would go enormously up. To build ships during a short period to supply the need would be impossible, and the American nation and other nations using our ships would be the people to suffer instead of the Britisher during the war. This is all as we would prefer it to be, but I fear that if America got the idea that this country would so act America might even now alter its Tariff Navigation laws, and practically permit the free entrance of all vessels within the flag and grant subsidies. I am one of those who believe that the greatest loss to British shipping at the present moment would come if Americans allowed free trade in ships, and I should dread giving America the opportunity in the time of war of recovering what she lost about 1860 to 1865.

4049. It has been suggested to us that the danger of transference is really very small, that it is very doubtful whether the other belligerent or countries with which we were at war would recognise transfers made under such circumstances. It has been suggested that if they seized ships nominally transferred, or transferred to escape the consequences of hostilities, they would refuse to recognise the validity of the transfer?—Yes, but I believe it would be a permanent transfer. I may be wrong, but my feeling is that America would be delighted to get the opportunity of winning back what she had lost, and I should fear America more than any other country.

4050. And that it would be a *bonâ fide* purchase?—A *bonâ fide* purchase.

4051. You think there would be no difficulty in America buying such a proportion of the British Mercantile Marine as really seriously to affect our mercantile supremacy?—I do not think there would be any difficulty. There are lines we could think of which I think without difficulty could be transferred to America.

4052. Have you in contemplation that the State should give its indemnity without payment?—That is the view I adopt, and I believe it is the most favourable to the State.

4053. Would you be prepared, if we thought it right to recommend that as a condition, to make some contribution in order to receive such an indemnity? It has been suggested to us, for instance, that one-eighth of one per cent. would be a fair charge to put on ship-

ping?—It is a very trifling figure. I think there is a principle at stake here, and I am working it out on principle.

4054. Your principle being that the risk is incurred through the action of the State, and that the State ought, therefore, to guarantee the individual against loss arising through it?—Yes. I might say this, that as a shipowner with a number of ships I think I would prefer to be without any insurance, purely from a speculative point of view. I believe in time of war many large shipowners could do very much better for themselves than under such a guarantee as this.

4055. You mean that they would recover in freights more than the extra charge they paid in premiums?—I think a great deal more.

4056. But that is subject to the qualification you made just now, that you doubt whether they would be able to insure?—I speak from my own personal standpoint, but I do not think it would be good for the nation. All owners of British ships are not in the same position. You can understand a great proportion of the Mercantile Marine of this country is held by men who have one, two, or three ships, and they would never have the same position that a large company would have. I speak here wholly from the national point of view.

4057. I think you are prepared to agree that if the State gives such a guarantee it must retain power to regulate the movement of shipping?—Yes, that is so.

4058. But you would allow owners who would like to take risks forbidden by the State to proceed at their own risk, insuring themselves if they could in the market?—Certainly, so long as it was not to the detriment of the country.

4059. You suggest in the *precis* that you sent me that another condition should be that the Government would have power to restrict the character of any cargo put on board ships in time of war. What have you in mind there?—Such things as you, Sir, yourself indicated—diamonds, and ostrich feathers, and such things. If there was a serious risk at the time it would be desirable to restrict the ships as to the articles they carried.

4060. Articles which it was not urgent for this country to receive, or where the risk in a small parcel was so heavy that it would not be wise to enter upon it?—That is what I mean.

4061. You have already told me that you think a scheme for a free indemnity is the right one?—That is so.

4062. If, on the other hand, the Government decided that some premium should be paid by the shipper, have you considered the possibility that Government might intervene and say that when the risk passed a certain point they would assume it, leaving all risks estimated by the ordinary sources as being below that point to be taken in the ordinary way?—I have not considered it from that standpoint. It seems to me the Government should either do the one thing or the other.

4063. Do the whole or nothing?—The whole or nothing.

4064. Then as regards the cargoes. I think it has occurred to you that there might be some difficulty in finding out whose cargoes they were?—I do not think there is any difficulty about that. The position is one we are dealing with every day. We deal with the man who produces the documents. A bill of lading is the equivalent of a bank note.

4065. You treat the holder of the bill of lading for the time being as the person entitled to receive the indemnity?—That is the basis on which the business is worked.

4066. If there were no scheme in existence, and if you were right in supposing that the shipowner might have a difficulty in insuring his risks in the market, I suppose he would have to lay his ship up?—Or run his ship at his own risk.

4067. What is the cost of laying a ship up. Is it impossible to give a general answer to that question?—I do not think so. It depends on the character of the ship. Generally speaking, however, outside the interest on the capital involved, the loss is comparatively trifling, as even large ships can be kept in order, while laid up for a considerable period, by a very few men. Of course, if ships were laid up in foreign ports, and obliged to keep their crews on board, then the cost would be increased.

4068. But it must always be to the interest of the shipowner to continue to run his ship as long as the premium which he is charged is less than the interest on the capital?—It is purely a matter of calculation.

4069. Interest on the capital, plus the profit that he might gain?—That is so. If a man could make a profit he would never lay up his ship.

4070. Then will you give the Committee your idea as to what standard of values we should take for the payment of the indemnity?—With regard to the method of valuation of ship and cargo for the purpose of indemnity, I think the recompense should be strictly limited to an indemnity for actual loss sustained. Thus: The ship should be taken at her fair sound value at the outset of the adventure, including her provisions and stores, and other disbursements incurred to make the ship fit for the voyage contemplated. Then the cargo should be taken at the prime or invoice cost, together with expenses incidental to shipping it, including advanced freight, if any; and then the freight at the shipowner's risk at the time of the loss, minus the cost of earning it from that time.

4071. As regards the ship, would that involve an agreement as to her value between the Government Department and the shipowner before each undertaking?—No. I do not think there is any difficulty whatever in arriving at the value of a ship.

4072. You would not trouble about the value until after it was lost?—No. I think it would be the greatest mistake possible.

4073. Do you think there would be no difficulty in arriving at a value satisfactory to both parties?—I do not think there would be any difficulty at all in arriving at a fair value. Whether it would be satisfactory to both parties would be another question, but I do not think there would be any difficulty in arriving at a fair value.

4074. How would you propose to fix that value?—You would want a number of experts.

4075. Invited by the Government to act for that purpose?—I think so.

4076. Should their decision be final, in your opinion, or would you give an appeal to the Courts?—I think the decision of whoever was appointed should be absolutely final.

4077. (*Mr. Gladstone.*) With reference to the loss of the American fleet after the Civil War, I think there were contributory causes to that of a special character, were there not. The change from wood to iron, and from sail to steam, had a great effect?—Probably, to a great extent. That was after the date. But at the time of the transference the wooden ships were practically the only thing.

4078. Then I think you say that the capacity of the market for war risks in the event of a serious war is doubtful. Have you had any actual experience yourself?—Yes. During the time of the war between Russia and Japan, for instance, we had a good deal of experience. We were carrying cargoes from different ports to Japan, and immediately a certain sum of risk was put into the market it was more difficult to complete. The market becomes very limited if the risk is at all serious.

4079. But you were able to cover all your risks?—Yes. Some owners paid as high, I think, as 50 guineas. Of course, we got freight proportionate to that.

4080. I gather you do not think the country would suffer severely from any laying up of ships; the cost of laying up would be small, and probably the rise in freights would take them out again?—The cost of laying up a tramp steamer is comparatively small. I do not think it is very great, in comparison, for other ships either. They would simply lay up while they were out of remunerative employment. Of course, the remunerative employment has to cover the cost of insurance.

4081. Do you think that this special law that you suggest, prohibiting the transfer of shipping during the continuance of war, could be made effective?—There is no difficulty.

4082. And do you think it would meet the case?—To my mind, it is vital in any serious war.

4083. (*Chairman.*) I suppose your suggestion for a law of that kind is conditional upon Government being willing to give a guarantee?—Certainly.

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4084. You would not think it fair that Government should place upon a shipowner that disability to sell unless it undertook to guarantee the shipowner's trade?—That is my view, but, at the same time as an individual, I should rather see it for the sake of the nation.

4085. (*Mr. Lindley.*) You laid stress rather upon the fact that you did not consider foreign cargoes should be protected on board British vessels bound from one foreign port to another, but in the words of Scheme A you will notice that the indemnity would be on vessels liable to capture. Foreign cargoes on board British ships bound from one foreign port to another would not be liable to capture?—I take it that anything is liable to capture under the British flag.

4086. The ship itself is liable to capture, but that does not cover the cargo?—If the ship was captured the cargo would go with it.

4087. No; if it were not contraband?—I did not know that aspect of it. I take it from you.

4088. (*Mr. Beauchamp.*) With regard to the market for war insurance, you say that it would be so limited during a state of war that it might not be possible to get everything covered?—Yes. Take the Atlantic trade, for instance. If one or two big ships were lost in the Atlantic, premiums would go to a very high level at once, and the difficulty would be, probably, to get underwriters, when one realises the enormous value of ships and cargoes in these days.

4089. You instanced some difficulty that you yourself as a shipowner had. I did not quite catch what was the voyage?—During the Russo-Japanese war some of our ships were running to Japan, and we had to cover the war risk. During a portion of the period there was a very great amount of war insurance done, and the more that was done the more difficult it became to do. As time went on it became a very trifling premium, but what I mean is that just according to the amount of risk there is to cover, there comes the difficulty of getting proper cover.

4090. Then the insurance market only becomes small when the risk is really serious?—That is so. In a war like the Russo-Japanese war there were a considerable number of British ships captured.

4091. Then you would restrict any form of indemnity to vessels trading between ports in the Empire?—That is my view of it.

4092. The Chairman pointed out that there might be a gap on a round voyage where you would not be covered by the indemnity, and you said that you would be able to fill that up by insurance in the ordinary market?—Yes. The gap would be just as the shipowner made it. The shipowner has the making of the gap. He may either endeavour to secure Empire cargo, and thereby be protected by the Government, or take outside cargo and cover himself.

4093. Then he would have to pay a considerable war premium?—Yes.

4094. And he might not be able to get that out of his freight between those two ports where he was not covered?—Of course, there is no compulsion for him to take it in that case. He would only take it if it paid him.

4095. But it would be cheaper for him to take cargo, would it not, than to go without any cargo at all? I want to make my point clear. He might not be able to get it out of his freight between those two ports, and therefore he would have to make it up on his homeward voyage to this country, in which case the homeward freight to this country would be very heavy and would increase the cost of the articles which he brought in his ship?—My idea is that intermediate cargo would just require to pay its proportion. It would require to pay not only the normal freight, but sufficient also to pay the war premium.

4096. That would depend upon the supply of shipping at the port?—It is a matter of supply and demand.

4097. It might not be possible to do it, in which case the shipowner would have to get it out of his homeward freight?—He has got to make it somehow.

4098. And therefore it would be really cheaper for the country to cover it all the way round?—That is certainly what the shipowner would prefer. As a shipowner, I would prefer that.

4099. It really might be cheaper for the country to do it in that way, to give a continuous cover?—I do not see why the country as a country should cover foreign trade in time of war.

4100. Even then it might be cheaper to the country in the end?—Of course, that is a matter of opinion. What I should like to do would be to make the foreign article pay for itself.

4101. There was one thing you said about the transfer of ships to the American flag. You think that might occur in time of war?—I should think it is extremely probable.

4102. Because America would be very desirous of getting back her shipping?—Yes. I feel it very much. In fact, I know the spirit that exists in many shipping circles in America.

4103. But that could only be done by an Act in Congress?—Or, as I suggest in my précis, by an alteration in their Tariff Navigation Laws.

4104. That would not be very easy in time of war, would it?—I think that could be done very quickly in time of need. I think the American President would not take very long to do it.

4105. But the American Legislature only sits for a very small period of the year. If the war broke out at any time when Congress was not sitting, they would have to call a special session?—If the necessity became claimant, I think the American President might so act.

4106. Might not the belligerent consider a special calling of the Legislature in order to pass a measure of that kind an unfriendly act?—I do not think America or any other country in a similar position would mind that. They are looking after their own trade, and they would simply buy the British ships in the same way that we should from some other nation.

4107. Apart from America, do you think there would be any great transfer of British shipping to other foreign flags?—Everything depends on the Power with which you might happen to be at war.

4108. There are not many other countries, are there, who could buy any very considerable amount of British shipping?—No, there are not very many countries.

4109. America would be the chief one?—America is more in my mind.

4110. (*Sir George Clarke.*) I think you endorse Captain Inglefield's view, that a national guarantee is the cheapest system. Why cheapest, and to whom cheapest?—To the country.

4111. Why to the country?—Because you keep things in a normal condition. I apprehend the true idea in time of war is that our manufactures should not be interfered with, and immediately you have heavy premiums put on to our shipping, freights rise, and our manufacturers are thereby placed at a great disadvantage as against foreign manufacturers. In the same way, freights to this country for food and necessary materials to keep our manufactures going would also greatly rise. The result again would be a great advantage to the foreign manufacturers.

4112. You do not mean cheaper as compared with a scheme of purchased indemnity; that is Scheme B?—I think Scheme A is the true one for the country. I think it would be much cheaper for the country.

4113. But what is the difference?—Because you at once interfere with the normal condition of things when you add to the cost of working the ships, and a shipowner, if you charge war insurance, has simply to get it out of his freight.

4114. The difference is that the Government has got to pay the whole of the indemnity in one case, and in the other case it gets a part of it back from the shipowner. Is it not from the point of view of the country exactly the same?—No, I do not think so. I think Captain Inglefield expresses it properly here. He says: "It is the fairest because it would throw the cost on the taxpayers instead of, as war premiums do, doubly on the working classes by means of increased cost of their food."

4115. But, as far as the country as a whole is concerned, it really comes to the same thing, does it not? It is a difference between classes in the country, but it really comes to the same thing?—I do not think it comes to the same thing; I feel that a tremendous

advantage would be that manufacturers would not have their business upset by war.

4116. When you speak of British ships, do you mean to include Colonial ships too?—I have not considered it. The Colonial tonnage is so trifling.

4117. But would you be inclined to bring them in under the same system?—I should be inclined to bring them in if they would pay a proportion of the cost.

4118. You say that the effect of the indemnity would be to concentrate tonnage in our own trade. Do you mean that it would concentrate commerce in British shipping in time of war?—No, I mean that the British ships would be encouraged to run an Empire trade, because the risks would be covered by the Government.

4119. Do you mean that the proportion of ships engaged in British trade would remain the same?—Would be increased.

4120. (*Chairman.*) By the indemnity being confined to the proportion of British shipping so engaged?—That is what I mean.

4121. (*Sir George Clarke.*) You realise, do you not, that as the neutral carrier would certainly have to insure himself against war risks if he carried a certain kind of article, you are giving a bounty to British shipping during the period of war?—I do not see where the bounty comes in.

4122. The bounty is exactly the amount which the neutral might have to pay in war insurance?—The way my scheme would work out would be this, that the foreigner would pay the indemnity to the British shipowner for the risk he runs in carrying his goods. The foreigner would require to pay the war insurance.

4123. A certain amount of British goods, Empire goods, as you would call them, is carried and would continue to be carried in neutral vessels?—What do you mean by the word "neutral"?

4124. The vessels of the Powers which are not at war?—Yes.

4125. Those vessels under the neutral flag would have to pay a war insurance, especially if they carried food, which an enemy might make contraband. If you get free indemnity for your ships, you have a bounty, as against the foreigner carrying Empire requirements, to the amount of the war insurance that he has to pay. Is that not so?—Of course, the national insurance you might call a bounty. I think I should call it by another name.

4126. But that is the effect?—Neutral shipping has so little influence in this country that I do not think it is worth taking notice of. I do not think anything better could happen to neutral shipping than a war in which the British Government were engaged.

4127. (*Chairman.*) Let me take your own illustration of the Russo-Japanese war. Suppose the Japanese Government had given a free indemnity to Japanese ships, would not you, as a shipowner who had to pay 50 per cent. premium on a certain risk, have been very much at a disadvantage in competition with the Japanese, who would not have paid, though his risk was the same?—Undoubtedly, but I rather took Sir George Clarke to be referring to trade outside of our own country.

4128. No; I think it was exactly that case which Sir George Clarke was trying to put to you, of a man shipping to this country having the choice of a British vessel and a neutral vessel. The war risk in the British vessel might be greater than in the neutral vessel, but that would be covered by a free indemnity, which costs the shipowner nothing, and for which he would make no charge to the shipper. The war risk of the neutral might be less, but that would not be covered by the Government, and he would have to pay something for it, and therefore charge something for it?—I think we should not object to that.

4129. (*Sir George Clarke.*) In an answer to me before, you said that the effect of this free indemnity would be that more British tonnage would be employed. That is, of course, equivalent to saying that there would be a bonus?—It comes, perhaps, something near to that. It is not really a bonus, it is to keep our manufactures on the normal basis.

4130. With regard to the law that you wish to be passed at the outbreak of war to prevent any transference of British vessels, I suppose you do not contemplate that if you got a system of free indemnity the inducements to transfer would be very great?—I do not agree with that at all. It is then I should fear it most. America would at once have to pay much higher freights for its sea-borne trade, and America would take the opportunity, I should think, if it got it, of purchasing tonnage to do its sea-borne trade. I think as much tonnage as the country could utilise would be engaged in Empire trade, and that is what I should say the Government should aim at, so that the normal condition of things should not in time of war be interferred with. That would divert British shipping into the Empire trade which is outside of it now to some extent.

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4131. (*Chairman.*) Your idea is that there would be less British shipping available for doing American trade with other countries than Great Britain?—That is so.

4132. And that that would cause America to try to buy British shipping to bring into that other trade?—That is so.

4133. (*Sir George Clarke.*) But why should a ship which has an absolute guarantee under one flag transfer itself to another flag and lose that guarantee?—It would go into a trade in which there would no longer be a war risk.

4134. It depends upon the limitation of your scheme to ships trading between British ports?—That is my position. I advocate Empire trade.

4135. I think you have told us that you doubt the capacity of the open market to carry the war risks?—I do, in the event of a serious war.

4136. And you have said that as a shipowner you would be quite satisfied if there was a sufficiently large number of substantial underwriters?—Personally I would, although I think that the system suggested is the true one for the country.

4137. Therefore you, individually, would be prepared to pay war insurance in the open market if the security was good enough?—I believe I could make more money out of it, as a speculating shipowner.

4138. That being so, one does not quite see why the Government should give a gratuitous guarantee?—I have looked at it entirely from a national point of view. I believe, entirely in the interests of our trade, that the normal condition of things should continue to exist. Immediately the appearance of war showed itself, there would at once be a charge against the British shipowner of the war premium. He has got to get recouped for that, and it is the British manufacturer who has to recoup him, so that the British manufacturer is at once placed at a disadvantage as against the foreign manufacturer.

4139. I suppose it is with regard to Scheme "B" that you suggest this committee of twenty experts, which is to adjust fairly the premiums on the various trade routes, according to the risks. That was your view of the possibilities of Scheme "B," I suppose?—Yes, I say that if the Government adopted this view, that premiums should be put on ships and cargoes, according to the risk.

4140. Would this committee be as careful of the pecuniary interests of the Government as they would be if they had to bear the risks themselves?—I should expect they would be just the same.

4141. Suppose, instead of a committee of experts, you had a fixed scale of insurance premiums for zones of length of voyages, so that you would have a fixed rate for such zones of the world as you travelled over?—That would be quite practicable.

4142. And, that scale having been laid down, ship owners could insure under it with underwriting firms acting as agents for the Government?—Yes.

4143. Would you rather have that, or some such arrangement as that, than nothing, if you cannot get your free or purchased indemnity?—I would very much rather have that.

4144. Your position is that you think the best system for the nation, as a whole, is a gratuitous indemnity?—I am strongly of that opinion.

4145. But if you cannot get that, you think it would be to your advantage to get insurance at some fixed rate from the Government?—I think so.

NINETEENTH DAY.

Tuesday, 2nd July 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Mr. HENRY NEVILLE GLADSTONE.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. RICHARD WALTER JEANS, called and examined.

Mr. R. W. Jeans. 2 July 1907.

Mr. Jeans, in a preliminary memorandum,* had submitted:—

(1) That at the first indication that hostilities were imminent, a banker whose business involved making advances on shipments would insist that the insurance policy attached to the other documents taken as security should cover the risk of capture and seizure.

(2) That although no difficulty has been experienced hitherto in getting cover for war risks, it is possible that after serious disasters it might be difficult to get capture risks covered, even at greatly enhanced premiums.

(3) That a National Guarantee under such circumstances would not only be valuable but essential to the maintenance of our trade and the prevention of transfers. It would also be useful under less serious conditons in restricting the amount of premiums which might otherwise be charged by underwriters to those who preferred not to accept the conditions imposed by the State.

(4) That a separate certificate should be issued for each interest, to accompany the other documents attaching to the relative draft drawn against the shipment, and also in order to facilitate the adjustment of claims, should they arise.

(5) That in order to avoid heavy clerical work it might be preferable for the Government to abstain from direct dealings with the public, and to guarantee the underwriters by indemnifying them for a certain percentage of the loss sustained through capture.

(6) That fraud is not to be feared, since the knowledge that unlimited resources were available to bring culprits to book would act as a deterrent.

(7) That although some scheme of National Insurance in time of war may be desirable, and, if desirable, should be legalised in time of peace, it should be allowed to remain inoperative until it became evident that the time had arrived when the public interest demanded it.

(8) That it is the usual practice of shippers to cover a fair profit on their shipments, in addition to the value of the cargo at port of shipment.

4146. (*Chairman.*) You are manager of the Bank of Australasia, I think?—Yes.

4147. You have seen the reference to this Committee and the draft schemes which we have prepared?—I have.

4148. As regards a good many points on the draft schemes, I think you do not desire to offer any evidence?—I have no knowledge which would enable me to do so.

4149. But as regards the effect they might have, or the absence of them might have, on banks and bankers' business, you are prepared to give us some information?—Yes.

4150. If hostilities become imminent or appear imminent, I suppose the banker at once becomes extra careful about his security?—He becomes anxious about his insurance.

4151. The banker's interest is mainly, I suppose, in the cargo and not in the ship?—Generally, yes.

4152. To a certain extent on shipping?—Of course, bankers make advances on shipping.

4153. On shipping that is afloat?—Certainly.

4154. But they would have far larger sums at risk on the cargoes?—Yes.

4155. If war becomes imminent, would it be correct to say that they would always require a policy of insurance against capture?—Certainly.

4156. Has there been any difficulty in recent years in getting such policies?—No, I think not. It is more a question of rate. The rate sometimes has been somewhat onerous, but not sufficient to prevent free insurance, I think.

4157. Would you be inclined to say that, having regard to the risks that were run, rates were over-extravagant?—Yes, I think so. I think sometimes the risk is more imaginary than real, but it serves the purpose for making an extra charge to cover the insurance.

4158. But suppose you had been looking at it from the point of view of an underwriter and not of a banker, would you have cared to write the risks, do you think, at much lower rates under the circumstances of the moment?—I have no data upon which I could go at all.

4159. You are rather afraid, I gather, that if there were serious captures in the earlier stages of war, or at any stage of the war, it might become impossible to insure at all?—I think it is quite likely.

4160. What then would take place?—I imagine that shipments would be stopped, or that they would be transferred to foreign bottoms.

4161. And in order to prevent that you would be in favour of some form of national guarantee?—Yes. I think that some steps, at all events, should be taken to provide for some protection of that sort.

4162. To your mind the danger of a large diversion of our commerce, or a large interruption of our commerce, is a very real and serious one?—Very serious.

* *Vide* note, p. iii.

4163. You contemplate, I think, that the ordinary channels of insurance should remain open and optional for the insurer?—Certainly.

4164. If he preferred to take an insurance at Lloyd's instead of coming to the Government, you would not prevent his doing it?—Certainly not.

4165. Would you allow him to have the benefit of a Government insurance and a Lloyd's insurance in addition?—That would be a double insurance, would it not?

4166. Yes?—I doubt that. I should think he must elect to insure in either one direction or the other.

4167. Do you contemplate that the Government should charge him a premium?—No, I think not.

4168. You think he should be given a guarantee free?—I think, as it is a national interest, it should be paid for out of national revenue.

4169. Would you as a banker like to see the Government undertaking that business without having made any provision for it in advance?—No, I think an emergency might arise rendering it very difficult to take steps at the moment, and therefore steps should be taken in advance.

4170. I meant something a little different. What I meant was, would you like the Government to undertake such a financial risk without having financially prepared themselves for it beforehand?—I am afraid that is a question that I have hardly considered.

4171. Of course in time of war the needs of the Government must in any case be very large. They would have to come to the market with large loans?—Yes. I dare say it would be more difficult to finance in such times than in ordinary times.

4172. This would be a serious liability for them to undertake if they had no funds on which to draw?—Possibly, yes; but I take it the Government would protect themselves in certain directions by prohibiting sailings on various routes, and even delaying the departure of a vessel, and so on. They would minimise the risks.

4173. Suppose there were such a Government scheme, what is necessary in the shape of a document for the purposes of the banker? Would you dispense with a document altogether?—I think not. The insurance, as a rule, especially on cargoes, is paid for by the consignee—at least, that is my experience in the Australian trade—and he naturally expects, when he gets the other documents, to see that he is properly covered by insurance, and it would be necessary to give him some certificate to that effect.

4174. (*Mr. Huth Jackson.*) And it would be necessary also for the banker?—Yes.

4175. (*Chairman.*) It would not be sufficient for the banker to know that if the vessel complied with certain Admiralty regulations it would automatically come under the terms of a State guarantee?—I think it would be necessary for him to bring evidence of that fact to his customer.

4176. And therefore for each venture, and each interest in the venture, you would require the Government to issue a certificate?—Yes; in the same way that the insurance companies do now, either by policy or by declaration on an open policy.

4177. It would be a very big business to concentrate in the hands of one office, even a Government office, would it not?—Very.

4178. Do you think it would be really practicable?—A very large staff would be necessary to carry it out, and a staff more or less expert, I take it.

4179. It would require a large expert staff, for whom the Government would naturally have no occupation in time of peace?—I imagine that would be the case.

4180. Do you think they could get it together on an emergency, and use it successfully in time of war?—It might be difficult, I think, unless some preparation were made beforehand—some way of providing the possibility of obtaining a qualified staff

4180*. You have suggested in your précis that, in order to avoid this heavy clerical work, it might be possible to avoid dealing directly with the public?—I think it would be much better.

4181. I am not quite certain what your idea is as to how that should be done?—They should guarantee the underwriter on certain conditions.

4182. That they should say to the underwriter, If you charge only such and such a premium, we will guarantee it?—I have not considered the question of dictating the premium, but I should think that the fact that the Government guarantee was behind it would in itself limit the probable amount of extra premium.

4183. I do not quite know why, if the underwriter had a complete Government guarantee, he should charge any premium at all?—There are other risks besides seizure and capture. He charges premiums on the ordinary marine risks.

4184. Yes, but if he had a complete Government guarantee from loss from seizure and capture, there would be no necessity to charge anything for that risk?—There would be no necessity to charge additional premium to cover that risk.

4185. (*Mr. Beauchamp.*) I did not quite catch whether the underwriter was to charge a premium?—Not to cover that special seizure and capture risk.

4186. (*Chairman.*) Would it not be almost necessary to leave some portion of the risk, at any rate, to the underwriter if you employed him as an agent in this way, in order to secure that reasonable care should be exercised?—I think it would be very desirable.

4187. But the main portion would have to remain with the State, if the other objects of your scheme should be attained?—Of course, it would be necessary that there would be a very small proportion. It is to make him careful of the risks.

4188. (*Mr. Huth Jackson.*) Would not the underwriter charge a premium for that portion which he retains?—Yes. It would be very small, I take it, in proportion to the other.

4189. (*Chairman.*) I gather that you are not afraid of the State being the victim of fraud?—I think it is far less likely to be the victim of fraud, for reasons which I venture to state. It is the practice more or less now of insurance companies and underwriters to avoid, if possible, prosecutions, as throwing good money after bad very frequently; but I take it that a Government would not take that view, and a knowledge would exist on the part of the fraudulent person that, at all events, there were ample funds to pursue him.

4190. You think that would be sufficient to deter him?—I think the Government would certainly run no more risk than an ordinary underwriter, and less, probably.

4191. The difficulties of getting evidence might be very great, possibly greater in war and in connection with war risks than in ordinary cases of marine risk?—Possibly, but I think that to a great extent that would be avoided by the fact that the Government would impose certain conditions. I take it that the fraud would take the nature of running purposely into the enemy's hands. That, of course, would be prevented to a very great extent if the Government made conditions as to sailing.

4192. Suppose the cargo owner who wished to get his goods financed by a banker brought to the bank a certificate that he was covered by the Government, but that that certificate showed on the face of it that the shipper and the owner of the ship must abide by such conditions as were from time to time laid down by the Admiralty, would that be good enough for the banker?—It certainly would not be an entirely clean certificate. These conditions, of course, would have to be safeguarded in some way or another.

4193. I imagine that it would be impossible for the Admiralty to lay down regulations at the beginning of a war which would endure for the war. They must be free to change their conditions from week to week, perhaps even from day to day, as the circumstances changed?—To change the contract entered into?

4194. Not to change the contract. The contract would be to abide by the Admiralty conditions, but the Admiralty conditions, for instance, might be that the Mediterranean is unsafe this week, will be safe next week, and might become unsafe again the week after?—I imagine that any risk that had been undertaken under the original orders or instructions of the Admiralty would be carried out, although subsequently certain parts of the route might be closed.

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4195. Suppose a vessel started for the Mediterranean at a time when it appeared reasonably safe for such a venture to be undertaken, but on arrival at Gibraltar the vessel received Admiralty instructions not to proceed; are you prepared for that contingency?—I should imagine that as the Government had accepted a risk in connection with that particular sailing, it would use force to prevent that master from proceeding.

4196. Therefore, the Admiralty instructions for any particular venture in your opinion must be given before the commencement of that venture, and must not be varied during the venture?—I do not think so necessarily. I think they may be varied, provided the new instructions were first conveyed to the master of the ship.

4197. Then take my case of the ship arriving at Gibraltar, bound for the Black Sea, we will say, and finding on getting to Gibraltar that owing to the Mediterranean having become unsafe, the Admiralty instructions now are that such a voyage cannot be prosecuted?—Clearly they would not proceed.

4198. Would you be satisfied that under those circumstances, if they did proceed they should have no claim against the Government?—Then the banker loses his security. I think the Government, having the power to prevent the vessel proceeding—that is, having taken the risk, and having the power, they should exercise it.

4199. You think they should enforce it as against the shipowner in order to protect the cargo owner?—Exactly.

4200. But suppose the cargo owner also wished to take the risk? Suppose he said, "Well, here I am so much out of pocket by having come to Gibraltar with these goods at risk; and I cannot dispose of them elsewhere"?—But he has disposed of his right to dictate in the matter, because he has already hypothecated these goods to the bank, or to some other institution.

4201. If you leave him to the ordinary underwriter, he may take the risk, however bad it be, on payment of a premium which the underwriter thinks proportionate?—Yes.

4202. If he trusts instead to the Government guarantee he may be unable to get any cover for the risk?—I do not think I quite follow.

4203. The Government may refuse to insure the venture at all?—Yes.

4204. Are not there circumstances in which it would be to the interests of all concerned in the ship and cargo that the venture should proceed?—Without the Government guarantee as regards insurance.

4205. Yes?—I can hardly conceive such a condition.

4206. Practically, therefore, in your opinion, such Admiralty regulations as might become necessary would not place any serious difficulty in the way of the working of a Government scheme?—It is entirely dependent on the question as to whether coercion was to be exercised to prevent sailings in contravention of the Admiralty's orders. I think it would be necessary to give to a bona-fide holder of those documents perfect security.

4207. And, therefore, if the Government were not prepared to pay a loss incurred in continuation of the voyage, it would be necessary to prevent the ship sailing for the protection of the holders of those documents?—Yes.

4208. (*Mr. Huth Jackson.*) I take it that you, as a banker, would insist, when negotiating a draft—say, from Australia to Europe—that the cargo was absolutely covered against all risks, including those of war?—Yes.

4209. Suppose that the Admiralty gave a national guarantee without premium and retained the right to control the sailing of the ship, suppose that the ship, for argument's sake, arrived at Aden, and the Admiralty instructed the captain that it was unsafe to go through the Mediterranean, and the captain disobeyed those orders—in that case the owner of the ship would not be indemnified for any loss that might occur if the captain disobeyed the Admiralty orders?—The owner would not certainly, if he acquiesces in ignoring the Admiralty orders, but somebody else may really have a lien over the ship, and the insurer may not really be the directly interested party.

4210. But you are only interested in the cargo, I take it, in these particular instances?—Yes.

4211. You would still contemplate, I presume, that the owner of the cargo should be indemnified?—Certainly.

4212. Or should he suffer for it?—No, he should be indemnified.

4213. You say that a separate certificate of insurance should be given in each case?—Yes.

4214. What is the present practice in Australia?—Either a separate policy is issued with each shipment, or, in the case of an open policy, the insurance company issue a certificate that the risk has been declared upon the policy.

4215. When a shipper in Australia comes to your bank and offers a documentary bill for negotiation, he attaches the bills of lading; what evidence would you require, then, with regard to the insurance?—Either the policy, or a certificate of the underwriter's that the risk had been declared on an open policy to him, the proportion declared being held in turn by him to the bank.

4216. The certificate of a London underwriter?—Yes, generally London.

4217. (*Mr. Gladstone.*) In the case of goods, do you merely take the statement of the shipper?—No; we always get the insurance cover in the Australian trade. We always have the complete shipping documents, including the policy of insurance, or a declaration, as I say.

4218. (*Mr. Huth Jackson.*) Would there not be some difficulty in arranging for a complete separate certificate from Australia?—I have never experienced it.

4219. I mean in the special circumstances contemplated?—There would be the difficulty we spoke of just now—that is, the enormous amount of clerical labour entailed.

4220. You mentioned that you contemplated, in the absence of any national guarantee, a considerable diversion of vessels to other flags?—I should imagine so, but I am not an expert in that.

4221. Have you any knowledge of the difficulties there are with regard to the transfer of shipping?—Not at present.

4222. That would naturally be controlled by the difficulties there may be with regard to the transfer of ships?—Yes.

4223. (*Mr. Lindley.*) In answer to the Chairman, you used the words "double insurance," in the event of an insurance being effected with the ordinary underwriters as well as the guarantee from the Government?—Yes.

4224. I do not quite know what was in the Chairman's mind when he asked the question, but I think he meant an excess insurance over the value of the guarantee. If that was the case, do you see any objection to that?—Then the ordinary insurance would be effected with the underwriter, and the seizure and capture risks would be underwritten by the Government.

4225. Yes, to the limited value mentioned in the scheme that has been put before you. You see in your answer to No. 8 you refer to the practice of the shippers to cover a fair profit on their shipments?—Yes; that is so.

4226. That is not contemplated by either of the two schemes put before you, is it?—No.

4227. That is, I think, what the Chairman was referring to in his question; that is to say, if the Government only guaranteed the actual value, including the charges incurred in getting the goods to this country, that would still leave the shipper uncovered for his profit?—Yes.

4228. Do you see any objection to his being allowed to effect an insurance with underwriters for that?—Certainly not.

4229. That would not be a double insurance?—No.

4230. Would it not be sufficiently satisfactory to the bank if in an Act of Parliament it was clearly stated what the Government were prepared to cover in all cases?—It would be satisfactory to the bank, but the bank has to satisfy its customer.

4231. Is not the customer to a certain extent dependent upon the bank, and does he not have to take what he gets?—No, I think not. He would want some evidence that the insurance had been effected.

4232. He has got the Act of Parliament?—Yes, he has got the Act of Parliament, but he has not any proof that that particular shipment has been declared.

4233. Would it be sufficient, for instance, supposing the notification of the shipment were given to a special Government Department and reply from that Department just acknowledging the notice were issued?—That would be equivalent, I take it, to a certificate.

4234. Yes, but it might save a lot of time and trouble if it were dealt with in that way?—Possibly. You see it would be necessary to give particulars of the shipment, I take it, and I do not think there would be any less labour entailed in giving that than in giving an ordinary certificate.

4235. Only that the one would merely be a question of registration, and the other you might probably have to put expert clerks to deal with?—Marks and numbers and so on, I take it, would have to be given.

4236. I see your point. Anyway, you think as a banker you must have a document?—If the Government is to deal directly with the insurer, yes.

4237. (*Mr. Beauchamp.*) You think that some such scheme as this is necessary, because of the fear of the insurance market not being large enough to cover the various shipments. Is that because you think that the underwriters would not take the risk, or is it that you think that if there were many losses the bankers might not be satisfied with the policy?—I think there is a little to be said on both those points. I think the underwriters would probably hesitate very much, and I think also the bankers would begin to think that the underwriters were taking very large risks, and it was necessary to exercise caution.

4238. With regard to the document being necessary, of course that difficulty would be got over if the underwriter issued the ordinary policy and the State guaranteed the underwriter and not the shipper?—I think that would do.

4239. Because otherwise there would be an enormous difficulty in providing a Department after the outbreak of war?—There would be an enormous amount of labour.

4240. And the difficulty might be to find anybody at that time really to give his services to conduct a thing for what must be a temporary service?—Quite possibly.

4241. (*Sir George Clarke.*) Do you propose to allow the underwriter to fix the premiums for the risks which the Government has to guarantee?—No, I take it no premium could be charged by the underwriter for a risk undertaken by the Government.

4242. I am not quite clear whether the Government fixes the rate in that case, or whether the underwriter does?—The underwriter would necessarily charge for the proportion of the risk that he accepted himself.

4243. Otherwise I do not know exactly what he does; he gives a document, that is all?—Yes, he gives a policy covering all other risks, and 10 per cent., say, or a fixed percentage of the capture and seizure risk.

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4244. He gives a policy for which he charges nothing, and he puts on a little premium to cover himself for the ordinary risk he has to cover?—No, I take it he charges an ordinary premium for the ordinary risk.

4245. He takes the ordinary marine risk?—Yes.

4246. But, I suppose, he has got to cover himself for the 10 per cent. of the loss?—Yes.

4247. He puts on a little for that?—Yes.

4248. So that it comes to this, that the ship is covered at the ordinary marine risk, plus a small percentage?—That is what I contemplated.

4249. (*Sir George Murray.*) Supposing heavy losses were incurred by capture in war time, would it make much difference to the money market whether they were liquidated in the ordinary way, that is, if they fell upon the underwriters, or whether they fell upon the Government?—I do not quite follow.

4250. Would it make much difference to the money market whether the Government came into it as a large borrower to cover these losses, or whether they fell upon the underwriters and were liquidated in the ordinary way?—I should almost think that the effect would be less in the Government case than if the underwriters and others were called upon suddenly to realise their securities.

4251. You think it would be less than if it fell upon the Government?—I think so.

4252. (*Chairman.*) How do you imagine the Government would obtain the funds to liquidate its losses?—In the ordinary way, by the issue of Consols, or by the issue of Treasury Bills or Exchequer Bills.

4253. And you think that the issuing of new Consols by Government would have a less disturbing effect upon the market than the sale possibly of some old Consols by private individuals?—I think so. Of course, it is a matter of degree. If the losses became very heavy, necessarily the realisations would have to be very heavy, in which case I think it would cause a steadily depreciating market to a much greater extent than if an issue was made by the Government.

4254. (*Mr. Huth Jackson.*) With regard to what Sir George Clarke was asking you as to the charging of a premium by the underwriter for his proportion of the war risk, might I put a concrete instance to you? Supposing that a shipper went to the underwriter and took out an ordinary marine insurance policy, and then applied for a war policy, I suppose the underwriter would charge, say, at the rate of 30 guineas per cent. for the 10 per cent. of his risk?—The proportion, yes.

4255. That would really mean only 3 per cent. on the whole risk?—Yes.

4256. That is the way in which you meant it should work?—Yes.

TWENTIETH DAY.

Tuesday, 9th July 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*)

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. ARTHUR LINDLEY.

Mr. GEORGE H. DUCKWORTH (*Secretary*).

Sir THOMAS SUTHERLAND, G.C.M.G., called and examined.

Sir T. Sutherland, G.C.M.G.
9 July 1907.

Sir Thomas Sutherland, in a preliminary memorandum,* had submitted:—

(1) That the ideas underlying a project of National Guarantee are:—

(*a*) The sufficiency of a less powerful Navy if, under a guarantee, the mercantile marine can be kept at sea in war time.

(*b*) The dread of the transference of a great proportion of our tonnage to a neutral flag in time of war.

(*c*) The danger of the loss of our sea-borne commerce, and the risk attending our food supply.

(2) That nevertheless a very strong Navy would, in any case, be essential, for without it the risks to shipping would be so great as to reduce any scheme of National Guarantee to a dead letter.

(3) That if the Navy were strong a scheme of indemnity would be unnecessary since with a reasonable chance of safety and the prospect of large gains, there would be plenty of enterprise amongst shipowners without the intervention of Government.

(4) That there is little ground for apprehension that transfers to a neutral flag would be effected in time of war since the necessary purchase money would not be forthcoming. That the number of transfers that might take place in anticipation of war would not be so great as to affect the ultimate status of our shipping industry. And that transfers after a declaration of war would be invalid.

(5) That any scheme having for its object the keeping of our sea-borne commerce alive and ensuring the continuance of our food supply in time of war, even though its efficacy was doubtful, is to be welcomed by shipowners; though it is not to be expected that the Legislature could admit a broad and generous acceptance of all maritime risks in time of war, including life risk and indemnity in the event of wounds and imprisonment, since this would be to throw all the losses on the taxpayer, while the profit would belong to one favoured class of the community.

(6) That if the indemnity were to be hemmed in by narrow restrictions it is unlikely that shipowners or merchants would be better off under a National Guarantee than under present conditions.

(7) That it would be open to the State, in the absence of an indemnity, to charter ships to carry provisions in the same way as vessels are now chartered to carry troops and warlike stores if the condition of affairs was desperate and insurance unobtainable.

(8) That naval wars are not likely to be of long duration, and that it is probably sounder policy to increase the strength of the Navy than to support theories of State insurance which appear to be academic rather than practical.

4257. (*Chairman.*) Sir Thomas, you know the terms of the reference to this Committee?—Yes, I know them generally.

4258. I think the most convenient way would be that you should make a statement of your general views to the Committee?—I see your Secretary has been kind enough to embody a short statement which I made in the form of certain propositions or views, and I do not know that I can add very much to it.

4259. Would you give us your views as put in your paper?—I will. I preface it by saying that this idea of insuring our commerce in war time, so as to keep our ships at sea, is one which was very much ventilated in 1885, at the time of the Russian scare about the Penjdeh affair, which, of course, most of us remember, and which I recollect very distinctly. Nobody could ever discover any means by which the idea could be practically applied, and as soon as the danger was over the idea evaporated, until, as far as I know, the Royal Commission on the subject of our food supply. Then, of course, it revived again. With regard to that idea, there is no doubt that one of the underlying features in the minds of, I will not say a great many people, but, at all events, certain people who talked about this subject in 1885, was, that if we could insure our merchant navy so as to keep our ships at sea in war time it would hardly be necessary to have quite such a strong Navy as otherwise. You will remember that in 1884 and 1885 there was a great uproar about the weakness of our Navy, and it was remedied to a certain extent, although not fully until some years afterwards, when the Government of the day obtained a very large grant of 20 millions of money right off in order to try to set things straight. Upon that point I hold that it is absolutely necessary, if you are going to have any insurance system that will be operative, that we shall have a very strong Navy, because otherwise any scheme of indemnity with regard to shipping in war time would, in my opinion, become a dead letter. Apart from that underlying idea, there is another feeling, and that is the dread of our pre-eminence as shipowners being lost through a great proportion of our tonnage being transferred to other flags. Upon that point I must say that, seeing the extent of our tonnage, the extent of our shipowning power, and our resources to construct new vessels, which are superior to almost all the rest of the world combined, I should not myself be apprehensive of any great change in our position in that respect. I have no doubt that if it were possible at the outbreak of a war to transfer ships to a neutral flag, by being well paid for doing it, a certain number of vessels would certainly be transferred. But I do not think it is probable myself that any neutral Power, or any body of neutrals, would be likely to come forward to buy anything approaching to the 16 million tons of net registered tonnage which we

* *Vide* note, p. iii.

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have now under our flag. That 16 millions represents a gross tonnage of, we will say, 24 millions probably. I do not know what the value would be, but I should think that on the Register basis of shipping it would be well on to £250,000,000 or £300,000,000. Ventures in shipping do not run to large figures of that kind, or anything approaching it, and shipowners are very much accustomed to lay up their ships if they cannot employ them or sell to advantage. No doubt the first effect of a war would be largely to lay up ships; there is no question whatever about that. But the prospect of a heavy purchase of tonnage is, I think, more or less chimerical, especially as (although this is a question for a lawyer, which I will not profess to be at all an authority about) I imagine that there will be almost an insuperable difficulty in the way of getting effective transfers of ships to neutrals after war had been actually declared. It might depend very much upon the relative strengths of the Powers at war and the neutrals. Probably a very big neutral would have a very much better chance of holding its own in a transaction of that kind than a weaker neutral. What I mean to say is this, that supposing we were at war with a European Power, and America stepped in to purchase our ships, probably the European Power would not be so ready to fix a quarrel upon America as it would be to quarrel with Norway or Sweden or any of those smaller Powers that are now in the habit of buying our ships, as things are at present.

4260. And America would be the Power that would be best equipped financially for carrying through such a transaction on a large scale, would it not?—I do not think myself that America would pay a very large amount of money for any large purchase of our shipping. America has not got the appliances for continuing the construction of ships. What many people no doubt are thinking of is the possibility of a revolution in shipowning such as occurred after the American war. But that was an era of wooden ships; we are now in an era of iron ships. The circumstances are totally different; the conditions are in no sense the same at all. Give America time, and no doubt she could do a very great deal; but after all I take it we should most of us agree that naval wars nowadays are rather short, and there would be no time for America to create great engineering and shipbuilding establishments in iron and steel such as we have in this country. That is an absolute necessity for any Power that is to become a large shipowning Power, I think. Then there is the other idea underlying this enquiry, and that is the danger of the loss of our seaborne commerce and the risk attending our food supply. That is, I suppose, the *raison d'être* of this Committee. If the dangers of capture, imprisonment, and loss of life were very serious, which would be the case in the absence of a strong naval force, neither shipowners nor seamen would be likely to tempt their fate on the mere chance of recovering insurance. The converse proposition naturally at once arises—namely, Why, if our Navy is a strong one, should the country speculate in war risks? If there is a reasonable chance of safety and large gains, if the venture in sending ships to sea is successful, there will be plenty of enterprise forthcoming without the intervention of the Government. That brings one naturally to the third point of enquiry—namely, the danger of the loss of our seaborne commerce and the risk attending our food supply. This remains, then, the object of keeping our seaborne commerce alive, and especially to ensure the continuance of our food supply. As a shipowner, I am quite willing to welcome any indemnity project in this direction, though I may greatly doubt its efficacy. A policy of this kind can only be in the nature of an experiment. If it were to cover a broad and generous acceptance of all maritime risks in time of war, including life risk and indemnity in the event of wounds and imprisonment, such a policy would hardly, I fear, be accepted by the Legislature, as it would throw all losses on the taxpayer, while the profit would belong to one favoured class of the community. If, on the other hand, the indemnity were to be hemmed in by restrictions, such as I see are suggested in your reference, it seems unlikely that shipowners or merchants would be better off under any Government scheme than by taking their war risks into the open market. Should the circumstances of the country be so desperate that underwriters would not insure at any price, the Government might step in and charter ships to carry provisions, as they do now to carry troops and warlike stores. Such a state of affairs would imply that our Navy was not powerful enough to defeat the enemy's fleet in the open or to shut up their ships in its fortresses. I was thinking at that moment about Lord Nelson chasing the enemy's fleet, and I say that we should not have to chase the enemy's ships about for a year to know where they were located.

4261. You think it less possible for them to escape notice than in the old days?—It is a question of naval strategy. What one would have to fear most would be the escape of a cruiser, say, from blockade. I suppose that could not be kept dark very long, and a cruiser would have to be followed, I should assume, by two cruisers more powerful if possible, if we have an adequate Navy. Then, again, why I think insurance in such a case would be of slight practical value, is that if a cruiser is let loose in that way on the broad ocean she could not easily capture commercial ships; she could only sink and destroy them. Who is going to run the risk of sending ships to sea under those conditions? How could you get men to go? The enemy could not carry her capture to another port, and therefore I fear myself that the insurance idea would not be effective in a case of that kind, supposing it were to arise. With regard to the question of food supply and general insurance, there is no doubt to my mind that the first effect of a war with a European Power would be very serious indeed. For instance, supposing it to be a Power in the Mediterranean, which most likely it would be, the Mediterranean for the time being would be shut up, and the next point would be whether we should be strong enough to keep the Atlantic open. If we were strong enough to keep the Atlantic open, then, as far as our food supply was concerned, I take it we should have no overwhelming anxiety, because we should not only have North and South America, but we should have Australia, and Australia is capable of producing food enough, if the price proves remunerative, to add very largely indeed to our supplies. Of course, that state of affairs would be disastrous in the meantime to such companies as the P. and O. Company, unless they were able to take the Cape route. But no insurance would ever be adequate to encourage shipping, in my opinion, to pursue their voyages through a sphere or an area where warlike operations were likely to be in existence, and where the danger of capture would be imminent. Look how the other day these commercial cruisers of Russia frightened us out of our wits, although they were acting illegally. The "St. Petersburg" and another vessel dodged about in the Red Sea, and nearly stopped British trade. They did not stop ships from sailing, but they actually affected so strongly the shipments to China, the Straits, and to Japan, that for a few weeks, until it was found that the capture was absolutely illegal, our commerce suffered tremendously. I cannot believe, therefore, that where there is a risk of life and imminent danger of capture your insurance would be effective. Where, on the other hand, there is a fair chance of one shipowner making a large profit, and an underwriter making a large profit, there will be, as I say, plenty of enterprise forthcoming. I need hardly add, however, that if you can formulate any scheme which you think would come into operation in case of war, I have no objection to the experiment.

4262. I gather that, speaking as a shipowner, you would not be in favour of a scheme which involved a contribution from the shipowners?—Speaking as a shipowner, I do not think so. It would mean, I suppose, imposing a heavy burden upon the shipowning community, and I do not think such a scheme would ever have a chance of going through Parliament.

4263. It has been suggested to us by some witnesses to make it compulsory on the shipowner to pay a small sum annually, say, an eighth per cent., in return for which he would be guaranteed against war risks, this eighth per cent. which he paid in time of peace accumulating to make a fund out of which to return him his war losses. What is your view upon that?—Is it suggested that the shipowner should pay in the meantime?

4264. Yes?—I do not agree with the man who suggested that idea. The *raison d'être* of your enquiry is not taxation of shipping, but food supply.

4265. (*Sir George Murray.*) And the supply of raw material generally?—Raw material also. It would be very hard, it appears to me, upon the merchant who had sent in his ship what was not considered raw material if he had to pay for a man who was the consignee or the shipper of raw material or food. For instance, take

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trade with India or China, or any of those countries where a large miscellaneous trade is carried on. Would tea be a raw material? I do not know whether it would or not.

4266. (*Chairman.*) Food?—But take the case of raw silk. Raw silk is raw material largely carried in British ships. It is raw material for France, however, rather than for Great Britain at the present time. But silk goods, which are shipped in the same vessel as raw silk, for instance, would be raw material in a certain sense largely for Great Britain, because it is used for manufacturing purposes here. But it is not raw material in what you may call the concrete sense.

4267. I think you may take it that those who have advocated such a scheme are of opinion that you cannot distinguish between different forms of cargo; that the theory, perhaps, would justify the distinction, but in practice it would be impossible?—That is quite right. Then the *raison d'être* as affecting food does not stand by itself, and you cannot, as it were, make a recommendation on that point alone. Now upon that basis your recommendation if you make one in favour of an insurance scheme, would be in favour of protecting merchant shipping in all ways. If you can draw up such a scheme I shall be very glad. I hope I shall not see it at work, because I hope there will not be a war; but I shall be very curious to see the scheme.

4268. And, provided you get it for nothing, you would not object to it?—It is no use suggesting I am going to be taxed in advance.

4269. You would not like to pay anything for it?—Not by anticipation.

4270. Supposing there is no scheme, and you are left to the ordinary operations of the market, could you insure your shipping if a great war broke out?—It would all depend upon the circumstances for the time being. I believe you can insure anything if you have a fair chance. If the chance is hopeless and you cannot insure, and there is a question of getting food, I should think the best thing Government could possibly do would be to charter vessels and to convoy them if it were reduced to such a dire state of things as that; but in ordinary circumstances I should say you will find people quite willing to insure.

4271. And solid people who could pay their losses if they lost?—I should think so, but until we have the conditions before us who can say? The first result of a war would undoubtedly be panic all round and high prices. Then we should see very soon what was going to happen. If we had a chance of doing business there is no doubt business would be done.

4272. You said just now that no doubt the first result of a serious war would be that many ships would be laid up?—Probably.

4273. I suppose your view is that if the Navy was in a position to do its duty, that state of things would cease very rapidly?—Probably.

4274. It would only last a week or two?—I think that if our Navy was strong enough to give an effective patrol on seas where the enemy, properly speaking, had no business to be, for instance on the Atlantic, you would find ships running very soon, especially fast ships. The slower ships no doubt would be laid up to a very much larger extent.

4275. I suppose, to a great extent, it is the slower ships that are most important from the point of view of our food and commerce?—I suppose it would be a question of convoy in that case. Of course, the slower ships are the larger carriers. But then prices would be so high that, although we could not possibly carry on our present work without these large carriers, still we could carry on a diminished amount of work by fast ships which would give a better chance of safety. But even fast ships would not risk going to sea unless there was a fair chance of safety.

4276. Your conclusion on the whole is that whatever money we have to spend had better be spent on keeping the Navy strong than on paying for losses which might occur through a weak Navy?—Absolutely.

4277. (*Sir George Clarke.*) No one has suggested to us that any form of national guarantee would enable us to reduce our expenditure on the Navy. Do you think it would have that tendency?—No guarantee would be operative unless you have fair security at sea.

4278. But you do not think if we had some form of guarantee it would produce a tendency in the country to reduce its naval expenditure?—No, I do not think it should.

4279. As you know, hitherto we have proportioned the strength of our Navy to the strength of other navies, so that nothing that we did in the form of a scheme for national guarantee in time of war would cause any expenditure in time of peace, and therefore the Navy Estimates would not be affected in time of peace?—That is so probably.

4280. I think you feel that whatever strength the Navy has, we must expect losses of some sort?—I dare say. You can hardly make omelettes without breaking eggs. I suppose we must have losses.

4281. And you think, also, that the losses, as we have been told by other witnesses, will be most heavy in the first few weeks of war?—Yes, I think so.

4282. Then would not that be the period in which there would be likely to be a great rise in insurance rates?—Yes. Things march very rapidly nowadays, but I should think it would probably be a month, at all events, before people began to see things clearly.

4283. Then you think not only the rise of rates but the general fear of capture would cause a large number of ships to be laid up at the outset of war?—Yes.

4284. Have you formed any idea of what insurance rates would be likely to run to in the event of a war with a great Power?—Not the faintest. It is impossible for me to form an idea.

4285. I think you have told us that the fast steamers would be the most likely to show enterprise?—At first.

4286. And that the fast steamers would be the most easily insured?—Yes.

4287. So that it is the bulk of the slow steamers which carry our food which would be most likely to be laid up in war until the seas appeared to be clear?—The fast steamers are, of course, not very large carriers; you may take that as an axiom; but they could carry to a certain extent—I do not say to the necessary extent. We could not have our present food supply, at all events, without having a very large proportion of our slow tonnage at work; that is quite certain. But the steamers that would first take the route, as it were, would be likely to be fast steamers, to whatever extent they might be available. We could not have our present food supply without a large employment of what are called cargo steamers, which have a speed of 9 knots, 10 knots, and so on.

4288. And the owners of those slow steamers would be the owners least likely to show enterprise or to risk much?—I think everybody would show enterprise if they saw a fair chance of profit. I do not think it would be confined to any particular category.

4289. You have told us that you would welcome any scheme which would have for its object the keeping of the British trade running in war. Would you like a system of insurance at fixed rates laid down in peace beforehand, so that you would know your maximum charge for insurance?—I should say it is absolutely impossible, but that is a matter of opinion, of course.

4290. Why impossible?—You mean to define the rate of premium before war?

4291. Yes?—In my opinion it would be quite impossible.

4292. Why?—Because you cannot measure the risk until you know what it is.

4293. You cannot measure the risk, but you would have to assume a certain proportion of loss on a year of war, say, and you might presumably base that upon our experience in the last great war. That would give you a fixed rate; it might not be right, but it would steady the insurance market, and it would tell all shipowners exactly what their maximum charges would be. The State might lose or the State might gain, but if it had the effect of enabling ships to go to sea, would not that help the movement of British trade?—Do I understand you to mean what the Chairman referred to, an anticipatory rate?

4294. No, an actual rate which only came into force when you asked for it?—What is the use of defining an actual rate, perhaps years before the war breaks out? If you can get Parliament to pass an Act by which Government is going to take broadly all the risks of underwriting on its shoulders in the event of war, then it must be left to the Executive to fix the rate if you mean that the shipowner is to pay the rate.

4295. Yes, the shipowner and cargo owner to pay the rate?—Then the Executive will have to make a bargain with the shipowner. You cannot anticipate the rate. The Government officials, say, the Treasury or the Post Office, will then have to become underwriters, and say that for a voyage to the United States the rate will be, say, 5 or 6 per cent. If the shipowner accepts that, well and good. If the shipowner does not accept it and ships are required for the work, then the Treasury or the Post Office must alter the rate. How can you tell beforehand?

4296. You cannot tell, in the sense of being sure, that the rates fixed in advance would cover the losses. Probably they would not; but if the State agreed to cover the losses, do you not think that the steadying effect of the fixed rates would be a benefit to the shipowner?—I hold it is absolutely impossible to define the rate. The rate must wait upon the circumstances; you cannot settle upon it.

4297. But is it not just the rapid fluctuations of the rates which would be a trouble to you in war?—That would be a matter of experience. You cannot settle it beforehand, I am perfectly sure.

4298. But you would expect very violent jumps, would you not?—One morning the rate might be 5 per cent., and the next morning it might be up to 20?—You cannot prevent violent jumps.

4299. I suppose you really do not think it is worth while for the State to take any steps to mitigate the burden of war insurance?—I am not at all advocating that a view which happens to be my own should be followed; far from it. I am only saying that from my point of view it would be a most difficult thing to devise a scheme based upon the reference to this Committee. But if the Committee is able to devise a scheme I shall look upon it with the greatest possible interest.

4300. If any scheme were to be proposed, I gather you do not think it should be a free indemnity, the State giving it for nothing, but an indemnity for which the shipowner and cargo owner contribute something in time of war only. Do you prefer that?—Yes. I have never known the State to do anything for nothing.

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4301. And if the conditions of such an indemnity involved restrictions on the movement of trade, as ordained by the Admiralty, I rather gather you think that would annul its value?—I can hardly tell until I see it.

4302. Of course, you cannot lay it down beforehand, but do you think any restrictions on movements, in order to follow Admiralty instructions, would destroy the value of the system to the shipowner?—I do not see how I can express an opinion upon that point until I see the scheme.

4303. Whatever the scheme were, whether it were a good or a bad scheme, supposing it involved as one of its conditions that ships had to follow instructions given to them at various parts of the world by the Admiralty or its representatives, do you think those restrictions would spoil the effect of the scheme from the point of view of the shipowner?—Of course, if the conditions of the policy required the shipowner to follow certain routes, the policy would be vitiated if he did not follow them. That seems perfectly clear. But whether it would be wise to make that part of the scheme of indemnity is quite another question. I should doubt it myself, because, while the Admiralty would be very likely to be the most competent authority to give advice to shipowners as to the way in which they should navigate in time of war, and advice which shipowners would be only too glad to follow, circumstances might arise when even information outside the Admiralty came, which would guide a clever shipmaster in following, perhaps, some other line, and getting outside the line that might be laid down.

TWENTY-FIRST DAY.

Tuesday, 16th July, 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir THOMAS GLEN-COATS, Bart., M.P.
Sir JAMES L. MACKAY, G.C.M.G., K.C.I.E.
Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. JOHN STANLEY MITCALFE, called and examined.

Mr. Mitcalfe, in a preliminary memorandum,* had submitted:—

(1) That the war risk class of the North of England Protecting and Indemnity Association provides for the protection of British shipowners against risks excluded from an ordinary Lloyd's policy by the "Free from capture and seizure" clause, but does not cover vessels carrying contraband of war. The values entered in this class amounting to upwards of £21,000,000.

(2) That the State should undertake to make good to shipowners and traders losses incurred through capture of shipping by the enemy in time of war, if a workable scheme can be devised; but that the practicability of any such Indemnity has been made doubtful by the experience gained during the Russo-Japanese war.

(3) That this indemnity should be gratuitous, or for only a small percentage of the estimated cost of covering each loss, in order to put British shipowners on an equal footing with neutrals.

(4) That the protection given by Government should not be granted without most careful consideration.

(5) That each case, or at least each trade, should be dealt with on its merits by a committee of experts, with power to decide as to the premium, if any, to be charged, and the amount of indemnity to be paid in case of capture or detention.

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(6) That the Admiralty, in conjunction with the expert committee, should decide the course to be taken so far as each vessel or voyage was concerned; and that the conditions of Clause 3 of Scheme A would have to be complied with in order to secure the indemnity.

(7) With regard to various suggestions brought before the Royal Commission on Food Supplies, Mr. Mitcalfe submitted:—

(2) That a fixed charge of 2 per cent. for a Government indemnity would only be effective if rates went above this amount, and only then if sufficient freight could be obtained to cover this premium.

(b) That an indemnity given to owners of cargo only would not put British shipowners on an equality with neutrals.

* *Vide* note, p. iii.

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(c) That the Government might give a guarantee for special trades, each voyage or trade being dealt with on its merits, but that in time of war neutral ships would probably be preferred to British, even though the rates of freight were the same.

(8) That the settlement of the amount of indemnity for a total loss of ship or cargo on the lines suggested in Scheme A would be comparatively easy, but that serious difficulties would arise in connection with the detention and deterioration of cargoes owing to compliance with Admiralty orders.

(9) That sufficient consideration has not been given to the unwillingness of seamen to sail in belligerent ships owing to their personal risk from mines, and the uncertainty in connection with the carriage of cargoes which might be treated as contraband.

(10) That in order to minimise this difficulty a list of contraband goods should be formulated, and that the Government should undertake to recover, or pay, any loss sustained by British shipowners in consequence of the improper destruction of their property.

(11) That owing to injurious restrictions on the part of Government, ships are now transferred to foreign countries, and that in case of war it is probable that a much larger number would be so transferred.

(12) That owing to the losses during the Japanese war the extent of the insurance market for war risks has been greatly restricted.

(13) That a committee of experts would be able to reduce the danger of fraud to a minimum, but that the insured values of ship and cargo, as suggested in Schemes A and B, would have to be investigated before acceptance.

(14) That the liability of war risk policies to a full marine stamp duty has greatly hindered the development of protecting and indemnity associations in this direction and should be removed.

(15) Finally, that a Government indemnity or insurance guarantee, although desirable, is hardly practicable, and that a strong navy is the best guarantee for the continuity of maritime transport trade under the British flag.

(16) That, in default of a scheme of guarantee, every assistance in the direction of self-help should be afforded to British shipowners, and that "contraband" should be defined officially.

4304. (*Chairman.*) You come here to-day, I think, representing the Chamber of Shipping of the United Kingdom?—That is so, but it must not be taken that I bind them to my views. They have not yet discussed this subject, and therefore, although I was nominated as an expert in such matters, it does not necessarily follow that I may give expression to their views.

4305. You have had considerable experience as an underwriter, I think?—Yes, for the last 30 or 40 years.

4306. You were underwriter of the Northern Maritime Insurance Company from 1865 to 1891?—I was, and I have since been chairman of that company.

4307. And you have been connected with the North of England Protecting and Indemnity Association since its formation?—Yes.

4308. And you were chairman of that association last year?—Yes.

4309. Would you tell us what the war risk class of your association is?—To put it as shortly as I can, the war risk class provides protection for shipowners against the risks excluded from the ordinary Lloyd's policy by the free from capture and seizure clause, but it does not cover vessels carrying contraband of war. Of course, I can go into detail as to that if you wish.

4310. Perhaps you could tell us briefly what was your reason for excluding ships carrying contraband of war?—We saw at a very early stage that large freights would be paid for carrying contraband, and therefore it was supposed that such shipowners as went in for that could well afford to pay the war premiums. Manifestly you could not run an association on a mutual basis and allow some to take very great risks while others did not.

4311. Your association covers the risks to its owners' ships in cases where we are not a belligerent?—Yes. And even where we are belligerents, but we have not had such experience yet. I might point out that we completely cover ships that have entered into contracts before the declaration of war. Where goods have proved to be contraband during the voyage we take that up, and we protect against any sudden emergency.

4312. Will you state briefly your general views on the subject of the reference to our Committee—namely, as to the desirability of the State undertaking any liability?—I think it would be very desirable if we could enable our ships to keep the sea during a time when Great Britain was a belligerent. But the more experience I have the more difficult it becomes, and were it not that it is impossible to say nowadays what is impracticable, I would certainly describe any such scheme as impracticable.

4313. You say that the more experience you have the more difficult it becomes?—Yes.

4314. In what way?—Because of the very difficult questions that we have had to deal with during this Russian War. Each shipowner was extremely anxious to get big freights and to be covered by someone else, and the same thing would apply were you to give a national guarantee, or indemnity, or whatever it may be.

4315. Do you think, speaking generally, that the effect of your mutual indemnity was to keep freights down at all?—Not freights. We do not interfere with freights at all. I think that the effect was in many respect to keep war-risk premiums down. I cannot see how it would apply to the freights.

4316. Only indirectly in that way, that if the war-risks premium is kept down one cause for the freight rising has gone?—That may be, but we have a considerable foreign competition, too. That is an element, doubtless, but so far as vessels that were not carrying contraband were concerned, the premium was light during the past war. It would be very different if England was a belligerent.

4317. In those cases where the premium was light there was still, I gather, a considerable rise in freights as compared with peace time?—That depends where it was to. To Vladivostock, to the Russian ports, or to the Japanese ports, doubtless that would be so, but I am not aware that it had any effect on other ports beyond the scope of the danger zone.

4318. But other causes besides the rise of premium were at work to raise the freights to the danger zone?—Yes.

4319. That was partly the risk to the crew?—I do not know that the shipowner would consider that. He would look to his pocket, and he would also look to what he would get. He would get the uttermost penny he could. It was not everyone who was prepared to take any risk in the late war. Others more venturesome did so, and the freights went up.

4320. Should I be right in drawing the inference from your experience that even supposing we gave an absolute and free guarantee to our shipping in a case where we were a belligerent, you think that for other reasons the freights would still rise considerably?—Yes, I think the freights would rise very considerably. I made a note in reply to the second question whether it was advisable to make such an indemnity gratuitous or not. Now, the crux of the difficulty appears to be to place our shipowners in the same position as the neutral would be placed when we were a belligerent. The shipowner, of course, might, in exchange for a Government indemnity, be called upon to pay such portion of the estimated cost of the war risk as was not covered by the increase of freight obtainable in consequence of the war. That would be a most difficult thing to do. Then the cargo owner would also have to be dealt with. He would probably require an indemnity against loss, or detention, consequent on shipping under a belligerent flag. But on all sides you would be met with difficulties. It might very well be that the shipowner had already insured his war risk. By doing it in time of peace he can get it done for half-a-crown per cent. per annum. Another shipowner with an identical ship might not have taken this precaution, and he might be asked 20 or 30 per cent. But, as I said before, the more you go into the details the more difficult any scheme is seen to be.

4321. For the moment I was trying to get at something different. Several witnesses have recommended to us that the State should give an indemnity, on the ground that by so doing you would either do away with war risk premiums altogether or keep them at a very moderate figure; that that being so, the shipowner having no additional expense on that account, would be able to charge a very moderate freight, and our oversea commerce would go on at very similar charges to that to which it is put in time of peace. I gathered that what you said as regards the experience in the Russo-Japanese war rather went to show that, setting aside the war premium question altogether, other causes would be at work that would certainly enable the shipowners to raise freights, and therefore it would not be true to say that the freights would be kept down if only the war premiums were to be provided for?—It would have an indirect effect upon the freight, but I am afraid you would always be faced with the fact of the shipowner who is inclined to be speculative, who would run wherever he saw most money to be made, and the more complete the guarantee the greater the risk he would run. But as I put it, if you are going to do anything, supposing freights have risen so much as to more than cover the war premium, I would pay no portion of it. Supposing the freights have not risen and the premium is very high, it might be necessary to pay him a considerable portion of the cost.

4322. You do not yourself think it would be possible to work a scheme on those lines?—I do not think it would.

4323. Supposing we were to recommend a scheme of any kind, what conditions do you think should be attached to the grant of the indemnity?—There, of course, we get into a sea of difficulties. I take it that the protection or indemnity given by the Government should not be granted without the most careful consideration; that each case, or certainly each trade, must be dealt with on its merits.

4324. What exactly do you mean by that?—When a shipowner was entering into a charter he must come to the powers that be—the Committees, or whatever you have formed—and arrange with them the terms of his indemnity.

4325. Even if the State were giving a free indemnity?—But to give a free indemnity would invite the most speculative to go in. I cannot see that you can possibly work it that way. The circumstances of each case might change from day to day, or from hour to hour, as we know.

4326. And you do not think it would be possible for the powers that be to prevent too speculative risks being undertaken, by simple Admiralty regulations?—They would certainly have to be under the orders of the Admiralty, but still you would get the more speculative owner. You could not give a general cover, so far as I see. During the Japanese war, in many cases, as we know, the Governments of these two countries offered an indemnity—in fact, they gave shipowners the choice. They said, Our rate of freight is so and so, without an indemnity; it is so much less with an indemnity; and a bargain of this kind, so far as I can see, would be the only practicable thing.

4327. Then if each case had to be dealt with on its merits you would form a Committee for that purpose?—Yes, a Committee or Committees of experts to sit. The indemnity, or the cost of the indemnity, should depend upon the freight that was obtainable at that time. The shipowner might sustain no loss whatever; freights might have risen in the particular trade to such an extent that he could well afford to pay the premium. The object is not that he should have an extra profit, but that he should keep the seas. The great object is that he should be able to compete with the neutral.

4328. That his freights should be kept down?—That he should not make an extra profit by the war and also be paid for the war risk.

4329. Let me put it a little differently: that he should not incur extra cost through the war risk for which he would have to recoup himself by increased freight. It is suggested to us that either the shipowner would be able to charge, and would charge, such an increased freight as would stop commerce and prevent us obtaining goods, or, being unable to get that price back in his freights, he would be unable to run the ship, because it would become too expensive for him to do so?—I would look at it more in connection with his competition with the neutral. Supply and demand would probably adjust these other questions. But I understand the object of this inquiry is to enable the English shipowner, when his country was a belligerent, to compete with the neutral. If he got a big extra freight in consequence of the war, he might well afford to pay the whole of the war risk premium. There is one misapprehension that I have not seen corrected in connection with the Food Supplies Commission. It was put to one of the witnesses: "Am I not correct that Great Britain practically has 70 or 80 per cent. of the trade of the world?" That witness apparently agreed to it. The question, of course, has a considerable bearing on the considerations, because if there are only 20 or 30 per cent. of foreigners to consider it would be a very different thing from what the actual facts are. It is a subject that I have paid a good deal of attention to. In 1893 we appeared to have reached about the high tide of our proportion of the carrying trade. I then made it out to be about 58 per cent. of the whole, making due allowance for the difference between sailing ships and steamers. That has gradually and regularly fallen off, at the rate of about 1 per cent. in two years, until we have barely over 50 per cent. In fact, according to the last return made by Lloyd's a few weeks ago, it is under 50 per cent.

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4330. (*Sir George Murray.*) That is tonnage, is it not?—Roughly speaking, our position is this. We have about half the steamer tonnage of the world, and we have about a quarter of the sailing ship tonnage, but you cannot compare a ton of sailing ship tonnage to a ton of steamer tonnage; the steamer does so much more. I therefore make an allowance of 3½. I suppose that a steamer ton is equal to 3½ sailing ship tons, and after making that allowance, as I say, we have fallen from 58 per cent. of the whole to 50 and a very small decimal point, or even below 50.

4331. (*Chairman.*) I have not got the question to which you refer in my mind. Was it not a question as to the proportion of tonnage cleared from British ports?—No; it was a question put to Mr. Douglas Owen. It was said, I think, we had 70 or 80 per cent. of the carrying trade of the world.

4332. I will take the figures in the way you give them. I think your figures are more correct. That being the proportion now, about 50 per cent., what is the inference you draw from it?—That we have a more serious competition with 50 per cent. of foreigners than we would have if that competition were limited to 20 or 30 per cent.

4333. (*Mr. Llewellyn Smith.*) It is 50 per cent. of the trade of the world, not of our trade?—Not of our trade.

4334. We are not in direct competition with an equal number of foreign vessels in our own trade?—Unfortunately, from some British ports 70 to 75 per cent. of the trade is carried in foreign bottoms.

4335. (*Chairman.*) The lumber trade especially?—No; it is more particularly the coal trade to the Baltic. I dare say the lumber trade may be, but I do not know so much about that.

4336. (*Mr. Huth Jackson.*) Although those ships are registered under foreign flags, is it not in many cases the fact that the ownership is retained by British interests?—Should I go into that now?

4337. I am only asking that by the way?—There are some cases in which the reverse holds good, as in the American combine. There are ships under the English flag that the foreigners own and a good many under foreign flags that are English. Shall I go into that now?

4338. (*Chairman.*) We will come to that later. Now I come back to your Committee of experts. They would decide the amount of premium to be paid for each particular venture?—That is the only way, I think.

4339. And the amount of indemnity in case of loss?—That is so.

4340. You recognise also, do you not, that it would be necessary in addition for the Admiralty to have certain control of what voyages should be undertaken?—Undoubtedly. I do not know whether convoy is out of fashion now, but there are questions of delay, diverting the route, and so on; there are so many details that will have to be considered.

4341. The conditions that are attached to the suggested indemnity in those printed schemes that were sent to you do not appear to you to be unreasonable?—Certainly not, so far as the Admiralty is concerned. It is absolutely necessary that there should be some

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control. I suggested even the possibility of having to put a man on board, because some of these captains might disobey orders. Not that I say it is practicable, but it may be necessary.

4342. May I ask a little farther about the question of a free indemnity. More than one way of securing a contribution from the shipowner has been suggested to us. One suggestion that has been made is that there should be a low fixed charge in time of peace, say of an eighth per cent. on the capital value of the ship, and that that should accumulate as a fund out of which to pay losses in time of war. Has that idea ever occurred to you?—Yes, but why should a shipowner pay the 2s. 6d. when he can come to us and get covered without any such scheme during peace? He can do it now without going to the Government—at least, during peace time, as a rule, he can get covered at about 2s. 6d. per cent. extra for the twelve months, if there are no clouds in the horizon, I imagine; but with us he can cover any loss. Of course, he could go on paying, and the contributions could be used to build up a fund, but his ship may be sold and gone before the time of benefit comes. We thought of the same thing; we thought of making a regular charge and raising a fund, but the people who might pay to that fund might pay for years—and it is to be hoped it will be many years before there is such a war—and the others will reap the benefit. They prefer to go on; they say, it costs us nothing while there is peace, and we will make other arrangements when there is war.

4343. Might you not by parity of reasoning justify the decision not to insure your house against fire. If you have insured your house, and are fortunate or unfortunate enough not to have a fire, the benefit goes to somebody else?—I think that argument hardly applies. You would find out your mistake in the case of the house when the fire took place. You find out your mistake about the war when it breaks out, before anything does take place. The worst that can happen to you is that if you have gone on for twenty years and not paid your 2s. 6d. you may have to pay five or ten guineas; it depends on how soon you insure. But the case of the house is different. You have no notice of the fire in the house. You have notice of the war more or less.

4344. Do you think it would be easy to insure ships actually at sea at the moment of the outbreak of war?—There are always, or generally, rumours of war before the war breaks out. But there would be no difficulty except in the premium. The fact that the ship is at sea will not affect it—in fact, it certainly would happen that there were a great many ships on their voyage, and it depends where they are what the rate may be. The underwriter has to take into consideration the whole of the possibilities of the case.

4345. It has been suggested to us, and it was suggested to Lord Balfour's Commission, I think, that a toll should be put on British cargoes carried in neutral vessels?—That is going back to Cromwell's idea in 1651, but it would not effect its object, because there is an immense volume of trade carried on by British vessels between foreign ports. We could not get hold of that. That same witness would even prohibit the carriage of cargo by foreigners between all parts of the Empire in time of war.

4346. By other than British ships?—By other than British ships, yes, and he would put a tax on the foreigners that did carry from British ports. But I am afraid that that would be impracticable.

4347. I perhaps need not take you through all these suggestions, but there is one which has cropped up in evidence given before us, and was also mentioned before Lord Balfour's Committee, and that is the suggestion that the national guarantee should be for special trades only, perhaps even for special trades at special times?—If any such thing is possible it appears to be in that direction. The danger zone is generally somewhat limited. It is to be hoped it would be, and you might deal with these special ships, as I say, when they come to be chartered. Their owners would have to come to this Committee, and that is one of the reasons why I say each case would have to be dealt with on its merits. If the owner were getting a sufficient extra freight to pay his war risk, then by all means let him pay it.

4348. Of course, if the Government has to deal with each venture separately it would mean an enormous business?—Enormous.

4349. And a business of which necessarily they would have no experience in time of peace?—The Government could not do it. They would have to delegate it to experts of some kind. I should think they are badly enough "had" over their own contracts, and this would be quite beyond them.

4350. Do you think it would be possible for them to get the necessary expert assistance at a time of war?—I should think so.

4351. It might be that in time of war the underwriters and the experts generally would be just at their busiest?—I should think so. The task you would set them would be an extremely difficult one, and they would probably be blackguarded on all sides by those who did not think they had got sufficient. You would be giving them a very unpleasant task.

4352. Clearly your advice to the Committee is that they had better not touch this?—If any scheme were submitted that appeared to have the germ of success in it, it would be another matter, but I have not heard of such a scheme. I have read all the suggestions that were laid before the Food Supply Commission, and I see nothing that is practicable, and my own personal experience is against it.

4353. I quite understand your general view, but let me ask you one or two questions of detail. Supposing we did desire to recommend something, do you consider that the basis for calculating the amount of the indemnity in case of loss suggested in that Scheme A we sent you is a fair one?—That is, the insured value of the ship?

4354. Not the insured value of the ship—the actual value of the ship; it might be a different thing from the insured value?—I am afraid you would be asking this Committee to do more than is possible. At the present time underwriters accept the values of ships pretty much as the values are put before them. But, of course, if the shipowner had to pay a portion of this premium, that would deter him from making the value too high. Taking it all round, I should think the insured value is probably better than what you call the actual value. The greatest difference of opinion occurs even between experts as to what the actual value is.

4355. Of course, the object of a scheme would be to secure the arrival of a ship and its cargo. We want the interest of the shipowner and of everyone concerned to be that the cargo in the ship should come safely to hand?—Yes. That, of course, was the object of the Food Supply Commission, but I understood that the first object of this Committee was to enable Great Britain to keep the seas in the event of a war in which she was a belligerent.

4356. They are both objects?—Exactly.

4357. If we are thinking of getting the ship safely home we ought to make it to the interest of the shipowner rather to get home. It should not be a matter of indifference whether he gets home or whether his ship is lost?—Yes. I do not know whether, in connection with that, you are aware of a discussion that took place before the International Law Association at Rouen. I contributed something to it. Two questions were put forward. The first question was, With immunity or without immunity. The second was, Indemnity on a reduced valuation, with licence to put to sea. That brings in, of course, what Admiralty regulations might be necessary. But when you begin to suggest a reduction of value, the effect of it is that the shipowner insures the balance if he thinks he is not sufficiently covered. If you put his property down in value he says: "That is not sufficient for me; before I accept these terms I must see what I can insure the balance at"; and he goes and insures it. As to restrictions at sea, that brings us back to the question of Admiralty control.

4358. In the *précis* you have been good enough to send us you say that attention has not been given sufficiently to the unwillingness of seamen to take the risks?—The extraordinary difficulties that there were with the crews in the Russo-Japanese war suggested to me how much greater the difficulty would be when we were at war. When we were neutrals, crew after crew refused to proceed when they got into Singapore and Hong Kong, and in some cases Chinese crews were shipped while they went to the Japanese ports, and the ships returned and picked up their English crews. Again, as you have seen, a great many actions were commenced by these men for their wages. Of course, they imagined all sorts of things. When you are near the theatre of war you hear all sorts of rumours, and I

can fully imagine that in case of England being at war you might have very serious difficulties. Then, of course, we must not blink at the fact that a considerable number of our crews are foreigners.

4359. So far as they were Englishmen, I imagine they would be more ready to take these risks if we were a belligerent than if we were neutral?—I think they would say, "You have been very good to the shipowner, you have covered him and the cargo owner, but what about me?" The seaman would say, "This is a purely mercantile affair; if I were fighting for my country I would be as ready as anyone, but to convey merchandise for perhaps a foreigner in order that British merchandise may keep the seas is quite another matter." There is very little doubt, I imagine, that many of them would refuse.

4360. Or require an indemnity for themselves?—You can give an indemnity where money only is concerned, but a lot of these men of course do not know what treatment they may experience, and the Russians set a bad example. They torpedoed boats, and acted in a very high-handed manner even where the cargoes were supposed to be neutral.

4361. On the whole, therefore you would say that our only security is a strong navy?—Yes, our main security.

4362. That is the only effective security we can give to enable our ships to keep the seas or our supplies to arrive?—I think that Government too might do a very great deal to assist us, more particularly by a definition of contraband. That has been our greatest difficulty throughout. Every owner that had a ship likely to go to the East came to us with all sorts of questions. We went to the Foreign Office and asked, "Are these goods contraband?" The Foreign Office did their very best to help us, I understand, but they were extremely afraid of committing themselves. The Russian declaration as to contraband speaks of naphtha. We asked, "What is naphtha; what is the translation; what is the Russian word used?" This led us up to oil. In addition to that, three of our ships were destroyed by the Russians, and in some cases I consider the treatment that has been dealt out to the owners is little short of scandalous. One ship had a cargo of oil. She was boarded just the day before the battle in the Straits; they dug down about 12 feet into this case oil, but they could find no contraband; they took her nevertheless, and managed to run her ashore and set fire to her. The case has dragged on in the Russian courts. That was in 1905. After a lapse of two years judgment was given by the Court of Libau in favour of the shipowner, that the cargo, being oil, was not contraband. A verdict apparently was given for £60,000 out of £68,000 claimed by the shipowner, and he thought he had little to do but collect the money. Some time afterwards, about a month ago, there was a telegram from his lawyers saying they had been suddenly called to some other port, where a new Commissioner had been appointed. That was followed by another telegram that the Russians described the cargo as "petrole" and repudiated everything, and our Government apparently stands by and does nothing.

4363. I quite understand the importance of the definition of contraband, but that also is a difficult subject?—Very difficult.

4364. And it hardly comes within the scope of our Committee. But those questions apply much more in the case where we are neutral than where we are a belligerent?—Yes, except that by the Declaration of Paris which took us on to the ice, and left us there pretty well, the neutral flag covers the enemy's cargo except contraband. You always run up against this word "contraband" in every difficulty that arises.

4365. And therefore the wider the definition of contraband the greater the disadvantage to the neutral?—Yes.

4366. And therefore the less he is at an advantage compared with one of the belligerents?—Unless it be, as we have rather a strong feeling, that the Germans, for instance, ventured to run a considerable risk as to what was contraband, because they believed that they would obtain, and they did obtain, the support of their Government throughout. The Hamburg-American Line is said to have made £500,000 out of the war, and there were undoubtedly a great many cases where English shipowners hesitated, and others, who thought they would get more support from their Government, took the risks.

4367. In a case where we are a belligerent you anticipate that the British Government would give its shipowners what support it could?—Except that the British Government has not done so very much at present. The manner in which the British Government allowed its ships to be stopped rather encouraged that proceeding, I think.

4368. In that war we were not a belligerent?—We were not, but we allowed our ships to be interfered with in a manner which I think might have been stopped. I see the Germans even in this Hague Conference are endeavouring to define contraband.

4369. (*Sir George Clarke.*) I see you say your Indemnity Association covers £21,000,000 sterling?—Yes.

4370. In fixing your contributions or premiums, what estimate of loss have you worked upon?—We make no estimate whatever. The amount payable by each member depends upon the amount of loss. The loss is divided *pro rata*. It is simply a mutual Association. If there is no loss there is nothing to pay. If there is a heavy loss it is all *pro rata* on the amount insured. We only take up to £50,000 now. We had a much larger capital before, and we took the whole value. It was considered best to make it £50,000. The member contributes on the amount he enters, whatever the amount of the loss may be.

4371. If there were a loss of 5 per cent., which would be over a million, in the first few weeks of war, would that be met out of reserves?—No; there are practically no reserves. We thought of that idea, but that was abandoned. A call would be made on the members for this 5 per cent., and everyone would pay on that amount.

4372. You would make a call to meet the liability?—We would make a call, yes.

4373. Is the policy that your Association issues such that banks would be prepared to lend upon it during a war with a great Naval Power?—There is one great difficulty that I refer to, the Stamp Act.

4374. (*Chairman.*) May I interrupt you to say this? You saw probably that the Chancellor of the Exchequer the other night said he was going to deal with that point?—I did not see that; I am glad to hear it.

4375. He said a reason for not touching it this year was because this Committee was sitting, and that our recommendations might affect it, but that he intended to deal with it next year?—We at present stamp our policies with a penny stamp. That is only valid to the extent of 2s. 6d. per cent. upon the amount insured. It would not be a legal document beyond that. We have a rule by which we endeavour to meet that difficulty, but bankers would doubtless demur. They would say, Here you have given me a policy with a penny stamp upon it. I want one with a sixpenny stamp upon it, to give me a full cover.

4376. (*Mr. Beauchamp.*) 6d. per cent.?—6d. per cent., yes, which would cost us £5,000 per annum on our capital, and we have not done it yet. But we have got a rule by which we have tried to meet the difficulty. I do not like the rule, but we do our best. When the emergency arises we would issue a policy with a sixpenny stamp.

4377. (*Sir George Clarke.*) And the probability is that bankers would only lend to your clients up to the amount represented by the stamp?—I should imagine so. I think, for all ordinary claims, barring the stamp duty, the security would be as good as they would get at Lloyds.

4378. From the point of view of the banker?—From the point of view of the banker, always apart from the stamp difficulty.

4379. Do you impose any conditions as to navigation in war time?—Yes.

4380. Are they strict?—They are varied from time to time. At the present time we do not insure any vessel, even yet, that is in the neighbourhood of Port Arthur and Vladivostock. We have a special rule not only not to carry contraband, but we have exceptions of that kind, and the rules have been varied from time to time, and would be varied according to the danger zone.

4381. You say that the practicability of indemnity was shown to be doubtful by the experience of the Russo-Japanese war. Why was that?—Because we found that all owners that were likely to get these big

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freights came to us and said, "Now, are we covered?" If they got an answer in the affirmative, they seemed willing to run any risk whatever. They wanted the big freights, and they wanted someone else to cover the risk, if possible.

4382. But you see the case is special, because all these cargoes that it was desired to cover were being either run into a blockaded port—Port Arthur—or in any case into an enemy's port. That is not the case we are considering in time of war?—No, but there are certain trades where the risk would be very great, and shipowners would go into that trade if they could get an indemnity from the Government. Freights would naturally rise, even for the neutral. The neutral would have to pay some war premium. Of course, the belligerent would pay more.

4383. But you see there is a distinction between cargoes sent to a blockaded or a belligerent port and cargoes which are not sent to a blockaded or a belligerent port?—Undoubtedly.

4384. I think you said it was desirable to put British shipowners on an equal footing with neutrals, but I think afterwards you told the Chairman you did not think that was practicable?—I still say it is desirable, and I still say, so far as I can see, it is impracticable.

4385. Then, with this large Committee which is to settle what trades are to be discriminated in favour of, there would not be time, would there, to deal quickly with the many claims that would arise. That would cause great delay?—That is extremely probable, and that is one of the difficulties which makes me say it appears to be impracticable.

4386. It might have the effect of delaying the movements of shipping?—Undoubtedly it would have that effect, I should say, and the Government would have to pay for it. Detention would be one of the most difficult things to deal with, because we constantly have claims for alleged deterioration of cargo, loss of market, and so on. You have nothing to teach a merchant as to making claims.

4387. You said that if a fixed charge of 2 per cent. for a Government indemnity were made it would only be effective if the rates went above that amount?—I think so.

4388. But is not that exactly what is required, the State to come in, if it comes in at all, just when the rates in the open market were becoming so burdensome that the shipowner could not continue his business?—But if the shipowner were to get an adequate freight which would cover the excess, why should he be paid even this 2 per cent? The idea is not to enable shipowners to make profit but to enable British shipping to keep the seas. Therefore, if in consequence of the danger of this particular trade the freight had gone up so that the shipowner could well afford to pay the war risk premium, why should the Government pay the 2 per cent.?

4389. We have been told that the rates in the open market might rise so very high that nobody could carry at all?—I cannot answer for that. Our fleet would have to be in a very bad condition, I should say, before that arose.

4390. You think that the open market would always be able to cover the risks provided that the mercantile interests were able to pay the premiums asked?—I think so.

4391. There would be no restriction of that market?—I think not. Underwriters are all ready and willing to make money if they can see their way to do it. There is no such thing as a combination amongst them.

4392. You gave us a percentage of British ships and neutral ships in the carrying trade, but the whole point would be whether the neutral ships could carry on a large part of our trade, and at the same time carry on the trade they were doing before?—That is so.

4393. Would there be sufficient neutral ships to do that to any great extent?—As I say, I imagine that in all human probability the war would be confined to certain zones, and the English ships outside of that might go on with their business as before, pretty well. You, however, could imagine all sorts of things. Freights would doubtless rise.

4394. But you agree that it is only the surplus shipping of neutrals, the shipping not ordinarily employed, which could come in and compete with us in war?—They would be attracted by the freight they could get. They would probably leave any trade they were in to get the more remunerative freights.

4395. But that would leave our other shipowners able to take over the trade they left?—That might be so, if it were in a district that we could safely navigate.

4396. You have spoken of the reluctance of British seamen to sail in belligerent ships. Would not that also be operative in the case of neutral ships carrying contraband?—To some extent, just as the neutral has to pay a war premium, but the belligerent has to pay a very much heavier war premium. The seaman, while he was under a neutral flag, would know that there was certainly less chance of capture than if he were under a belligerent flag. Then that brings us to the question of transfer. I do not know whether you wish me to speak of the transfer to foreign flags.

4397. I was going to ask you whether you consider there is any great risk arising of a wholesale transfer to a foreign flag?—Not perhaps wholesale, but this is done, I believe, to a very considerable extent for other reasons. Thirty years ago there was a firm in Newcastle that issued a circular—it was about the time of the Plimsoll agitation—offering to transfer ships to foreign flags. There was a great row about it, and I have not seen anything of that kind since, but their idea then was to find a foreigner who was willing to be registered as owner, and to take a mortgage upon the ship as security. There were obvious difficulties, and that was found not to work. Since that, in consequence of the restrictions that have been made applicable to English ships only, a very large number of vessels have been transferred—first of all to the Norwegian flag. I am told that recently they have become much more particular there, and also that they are talking about—or have arranged—a load line, and therefore it appears to have stopped to a considerable extent, so far as Norway is concerned. Denmark puts a duty of some 3 per cent. upon transfers, and therefore there is very little in that direction. But Sweden, I understand, is very anxious at the present time to increase her mercantile marine, and there it can be very easily done. I have a considerable list of ships that are really managed by English owners, and that are under these flags. A foreigner is registered, a Swede or Norwegian, as the case may be, and you will find his name in Lloyd's book. If that could be done, and if the war was long, it would be almost a natural thing; the shipowner would see that, if he were under a foreign flag, he then could carry cargoes as a neutral that he could not carry so long as he was a belligerent. Take this large American combine: if England was at war and America were a neutral, what more natural than that these ships should go back as they are really owned in America? Of course, an Act of Congress would be required, but that is very soon done. They have done that in two or three cases.

4398. But all these transfers you have spoken of are transfers carried out in time of peace, and you realise, do you not, that the difficulties of transfer after war has broken out, would be very considerable?—Few belligerents, I should think, would like to get into trouble with another nation by interfering with ships under a neutral flag. Take such an instance as the combine; it really is only giving back to America what belongs to that country.

4399. I think your evidence may be summed up that you think both free and purchased indemnity would be equally impracticable?—I think so.

4400. But of the two you would prefer that something should be paid, rather than that the guarantee should be free?—That is so.

4401. You say in your *précis* that every assistance in the direction of self-help should be afforded to British shipowners? What assistance can the State give in the direction of self-help?—First of all this definition of contraband, I think, would be extremely valuable. The associations would then know how far to go.

4402. Of course, you know that is what we are trying to do at the present moment?—I was not aware. I am very glad indeed to hear that.

4403. Is there anything else?—There is the Stamp Act, of course, which you say is also under consideration. Then I think everything where life is concerned should be put on an international basis. British shipowners are at a great disadvantage in consequence of that not being the case. The removal of these disad-

vantages would at once stop transfers at least, as far as the present time is concerned.

4404. By help, you do not mean help in the shape of giving instructions to guide the movements of ships during time of war?—We have made approaches to Government. We have a rule by which each member is requested to keep us fully advised to the whereabouts of his ships. We think we could be of very great assistance to Government in case of war.

4405. But you expect Government also to be of great assistance to you by giving you all the information they can to help you?—It might be mutual to that extent.

4406. (*Mr. Beauchamp.*) The North of England Protecting and Indemnity Association makes a charge for all steamers which are entered in their society?—A small entrance fee.

4407. A small entrance fee of 2 guineas?—Yes.

4408. And the value of the steamers entered is limited to half a crown per cent.?—The liability of the Association is limited by the stamp duty to 2s. 6d. per cent. at the present time.

4409. I see by your rules the liability of any member is limited to half a crown per cent.?—That is the Stamp Act difficulty. We have a rule that when, in the opinion of the directors, the claims are likely to exceed half a crown per cent., fresh policies shall then be issued without any such limit, and it is the only way we could see of getting out of the difficulty.

4410. But it would have to be by resolution of the directors. You cannot extend the liability of your members without a direct resolution of the directors?—Not only a resolution, but the issue of these policies.

4411. But I mean to say it can only be done by a resolution of the directors?—Yes.

4412. That is a necessity; and would it have to be a unanimous resolution of the directors?—Supposing the unlikely thing that the directors were to refuse any such thing, it would be left to the members; there would be an appeal to the members.

4413. And have the members any right of objecting to the increase of their liability?—We consulted counsel; we said—Here is the difficulty of the Stamp Act. Show us our way best to get over it. The rule is the consequence; the rule is as I have stated.

4414. 2s. 6d. per cent. would only yield £26,000, roughly?—That is so.

4415. And would the members of the association have the right to retire if the directors passed that resolution?—Of course, there is no doubt this is the difficulty we were in. We waited upon you in reference to this very subject. We said—We are not satisfied with our rule. We think it a hardship that when a ship is insured and the full stamp duty is paid upon the insurance of the hull, a full stamp duty should also be exacted for the war risk. We appealed to the then Chancellor of the Exchequer, and perhaps you will recollect you read out to me the very rule that we have adopted, and we were satisfied with that. We said: "Very well, if that is so, that is all we want."

4416. (*Sir James Mackay.*) Does the North of England Protecting and Indemnity Association insure vessels against total loss?—It is not an insurance on hull at all.

4417. You simply insure for what shipowners cannot cover under the ordinary policies, I suppose?—That is practically so. The association is divided into three classes. The first one covers mainly the one-fourth deducted under Lloyd's Collision Clause. Class 2 covers claims made by owners of cargo arising without the fault or the privity of the members. Class 3 steps in for war risks. They all contribute to the general expenses, but the members of each class are only liable for the risks of that class, and Class 3 covers war risks.

4418. I think you said there was a considerable rise in freights to Japan during the Russo-Japanese War?—Yes.

4419. Do you think that was the case really, when you come to think of it?—I know Mr. Runciman, whose evidence I have looked at, quoted a rise of from 17s. 6d. to 25s. In fact, we know there was a considerable rise. I am not a shipowner, but I imagine there was a considerable rise.

4420. I do not think there was much rise in freight of cargo that was not contraband?—With the declarations made by the two belligerents it was difficult to say what was not contraband.

4421. You see there was very little risk run practically; cargo mostly went from India to Japan, and there was very little risk of capture between India and Japan until the Baltic Fleet got out?—Capture by the Russians?

4422. Yes?—Yes, that may be so. That is why it varies in every place. It depends on the circumstances.

4423. Then with regard to the proposal that the Government, in return for an indemnity, should make a charge during time of peace. I do not think Mr. Chamberlain mentioned that it was proposed to make it compulsory. You asked why should a shipowner pay that charge when he could get insured either with you or not be insured at all, where there was no risk of war. The idea, I fancy, some of the witnesses have had was that the charge should be made compulsory. Do you think that would be welcomed by the shipowners?—Nothing compulsory, I think, would be welcomed by the shipowners.

4424. Then, I think, you said that the idea in giving an indemnity would be to try and keep British vessels at sea during time of war?—That, as I understand, is an object in view.

4425. Of course, there would not be much object in keeping British vessels at sea unless the seas were safe?—It might be when the seas were not safe to belligerents that you would want them to keep the seas.

4426. Suppose we were at war, there would not be much object in sending ships to sea down the Mediterranean, for instance, if the Government was not keeping the Mediterranean clear?—That would have to be left to the Admiralty to say when and where they should go. But that is why I cannot see that an indemnity is workable.

4427. Then you thought if the Government decided to give a national guarantee in time of war it would be necessary to compensate owners of steamers for delays when they were tied up by the Admiralty?—I think so. It is part and parcel of it. You can hardly ask them to wait unless you are going to pay for the waiting.

4428. So that if a ship is tied up at Port Said for a fortnight or a month by the Admiralty, and not allowed to sail because the Mediterranean is not safe, you think the owner should be compensated?—I think so. We have a rule, I may say, in this war risk class that when vessels are detained they shall be paid at the rate of 2d. per ton per day for such detention.

4429. It would be reasonable, I suppose, that the shipowner should be compensated, because he would be tying up his ship in order to save a possible loss to the country?—Yes, and in the same way he might have to go some longer route to arrive at his destination.

4430. And then he should be compensated too?—Yes; but fancy the claims for perishable neutral cargo you would have in a case of that kind.

4431. In regard to the difficulty in getting men to go to sea in British ships if we were at war, do you think there would be an indemnity wanted by the men too?—Not an indemnity; they would want more wages.

4432. They would want rather a bonus than an indemnity?—I do not know. I think in the old wars the wages went up to £10 a month. It is inevitable almost.

4433. And you would not consent that the Government should give the men an indemnity?—I say it should be taken into account in the settlement with the owner. If the Government not only has to settle with the shipowner and with the cargo owner, but also with the men, it renders any scheme still more hopeless. But that will be one of the points for consideration before the shipowner makes his bargain with the Government. He will want to know what his crew is going to do; what he is going to pay them. There is no doubt that, risk or no risk, the men would think it a very favourable opportunity of getting a very much higher scale of wages. That has always been our history.

4434. You spoke of the possibility of its being necessary to put a Government man on board the ships?—Looking about for some solution of the difficulty, it occurred to me it was necessary, because I know what

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some of these ship captains are, and what stupid things they sometimes do.

4435. Would it be a naval officer?—Yes, it would have to be a competent naval officer.

4436. Who could give directions to the captain as to the course he should adopt?—Yes, I do not for a moment recommend such a thing, but it is just one of the safeguards.

4437. (*Mr. Huth Jackson.*) I understand that your association only insures the ships?—Yes.

4438. They have nothing to do with cargoes?—Nothing to do with cargoes.

4439. And the value of the steamer for the purposes of indemnity is assumed to be the amount that is insured by an ordinary value policy on hull and machinery?—That is so. At one time we used to take extra amounts—consequent on a very bad principle that shipowners have adopted—against total loss. But we got into such difficulties with these extra amounts that we now simply go on the ordinary policy value, irrespective of p.p.i policies.

4440. That insured value is, I understand, not infrequently more than the actual value of the ship?—I have no doubt it is, but also, in consequence of this objectionable plan to which I refer, it is very often less than the value of the ship.

4441. So that, on the whole, as an average, you think it would be the best way?—I think so, more particularly as most of the hulls are insured for time, and this value would probably be fixed before the owners knew exactly what was going to take place about the war. It is something done beforehand, not premediated.

4442. It has been suggested by some witnesses that a fair valuation to be taken by the State, if a scheme of national insurance were adopted, would be the cost of the vessel, less so much depreciation per annum, since the time when she was finished?—That may be a rough and ready way; but a few years after a ship is built she may be worth a good deal more than what she cost, and, on the other hand, 5 per cent. may be totally inadequate. Ships may in a year or two be worth half what they cost. It is a most difficult thing, as you doubtless know.

4443. However, there would be no objection, I presume, to the owner insuring excess values if he thought he was not fully covered?—I hardly see how you could prevent that. Then, of course, that would take from him the interest that he might otherwise have of being careful.

4444. But in any scheme, if such were recommended, would you suggest there should be a prohibition to a shipowner to insure outside in excess?—I think it would be useless to make any such prohibition; it would be unworkable.

4445. In your own case the liability of the association is limited to £50,000 in any one particular ship?—In this way, that if the ship is valued at £100,000 we only take £50,000. That is our limit; that is our line.

4446. Then do you permit the owner to insure the excess elsewhere?—Undoubtedly.

4447. And therefore, in any national scheme, you would permit the owner to insure elsewhere?—Yes.

4448. You indicated in part of your evidence that you thought the State should not interfere if the owner of the ship was able to secure, by increased freight, the amount of the additional cost of the war premium?—That is my opinion.

4449. But you are, of course, aware that one of the objects in view is to prevent the increased cost of food and raw materials coming to this country, due to highly increased freight?—I was not aware of that. That was so in connection with the Food Supplies Committee, but I understood the question you were dealing with was the best means of preserving the seas to the British ship.

4450. That is one of the questions. Another one was the question of securing a constant supply of food and raw material, and, if possible, to prevent the enhancement of the cost of those to this country beyond what would normally happen in time of war?—That would have to be dealt with by this Committee in each case, I presume.

4451. But you admit, do you not, that the shipowner would always try to place on the freight any increased charge which he has to pay?—Well, whether he had increased charges or not, he would get the biggest freight he could, under any circumstances.

4452. And he would always, in any circumstances, take steps to see that he would get that increased amount of his out-of-pocket expenses—say the increased insurance premium?—That would be one of the considerations in entering into a charter.

4453. To go back to the object which you mentioned particularly, that is, to keep the sea during time of war, it is clear that the British shipowner would have to pay a higher rate of war insurance than the neutral vessel?—Undoubtedly.

4454. Further, he would have to pay higher wages than the neutral vessel?—I think so.

4455. Therefore, he would be at a distinct disadvantage in the carrying trade?—Undoubtedly. Apart from that, the owner of a neutral cargo would naturally prefer, all things being similar, the freight being the same, the neutral ship to the belligerent ship. He would say: "I do not know what difficulties I may get into here, in spite of guarantees." All things being equal, I imagine he would prefer the neutral.

4456. Therefore, if, as you say, he would prefer the neutral at equal prices, then, if the British ships are to keep the sea, the inference from what you say would be that the British ships would have to be in a position to carry the cargo at lower freights than the neutral?—They would.

4457. Unless something is done that is obviously impossible?—Obviously impossible that they could carry at lower freights?

4458. Yes?—Not quite. Supposing freight has gone up unduly beyond a payable rate, and that they can secure such a freight as will cover all these contingencies—the extra wages to the crew, the war risk, and everything else—the profit to that shipowner would be equal to what he would make on an ordinary voyage in times of peace.

4459. Yes, but the neutral would do better?—He would make more money, probably. One would make so much more than the other, but it would still enable the British ship to keep the seas, making less profit than the neutral.

4460. You think, therefore, that the British shipowner might still, without any such scheme of national insurance, as has been suggested, be able to charge a less freight than the neutral in time of our being at war?—Instead of using the words "being able to charge," I would say "be able to get." He might be able to get a sufficient freight to cover all these contingencies you are speaking of.

4461. And that freight might be still less than a neutral would be willing to take?—Yes. I want to draw the line, that you are not going to advise a scheme to enable the shipowner to make more money. You are simply going to advise, if you advise it at all, a scheme to enable them to keep the seas, not to be driven out of the market altogether.

4462. I understand you yourself have been acting as an underwriter for many years?—Yes.

4463. As an underwriter, what would you say would be the period when war premiums were likely to be highest?—That is impossible to say. The period would be when we were most defenceless on the sea. It would not only be a period, but a place. There might be no risk at one quarter of the globe, and enormous risk in narrow seas. There are so many questions. In fact, it varies from day to day, as I say. The appearance of a man-of-war in the Channel, or off the Chops of the Channel, would make all the difference.

4464. To speak generally, would not the most panicky period in insurance be just prior to the declaration of war?—No, I should think not. The most panicky period, I should imagine, would be after a few captures.

4465. I was going to say, just previous to the declaration of war, when the fear of war was imminent, and then during the first few weeks, or months, say, of the war?—That hardly follows.

4466. Until the British fleet had been able to assert itself?—Yes, but the awkward part would be if the British fleet was not able to assert itself in a certain

quarter. Everything depends on the circumstances, and the underwriter must study these questions, and he asks a premium that he thinks is adequate.

4467. You said there had been a good many transfers to foreign flags in recent years owing to the restrictions on British shipping, which are not imposed by other nations?—Yes.

4468. Could you briefly state what those restrictions are?—I should think the most potent factor is the load line.

4469. Are there others as well?—I do not know whether this Compensation Act has had any effect—it is too new; and Germany, of course, has a Compensation Act—but I imagine that the principal objection on the part of certain classes of ships has been partly remedied. After many years we have gone back again, and given certain ships a deeper load line, and therefore the object in transferring them may have disappeared.

4470. But with the exception of the load line regulations, there are no other restrictions imposed here of a serious kind to the disadvantage of British shipping?—There are a great many minor ones, but I imagine nothing of so serious a character. But, of course, in war time, if a neutral, you could go anywhere; you get your freedom at once if you can manage to transfer.

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4471. Under the Merchant Shipping Act of 1906 the load line difficulty has largely disappeared?—That is so, and other countries fortunately, but very slowly, are adopting load lines. Germany appears to be on the verge of it, and also Norway, I believe, but, so far as I know, not Sweden. If you take away the object of transferring you can stop the transfer, but it is very easily done, and, I imagine, to a greater extent than we believe.

4472. In peace time?—In peace time. You spoke about other objects. They get their crews cheaper. They get the provisions cheaper. It very easily came about, as you will see. The first thing was that, with the load line, a great many ships had to be sold, because they no longer could be worked at a profit. But these owners were rather surprised to see the same ships appear again in the very trades from which they had been taken, and they were being navigated and making a profit. They said "How is this," and they began to look into it. First, the ships carried 200 tons more cargo, and paid less to their crews. The British owner therefore thought: "If that is the case, why should we not transfer our vessels to the foreign flag and do likewise?"

Mr. Charles McArthur, called and examined.

Mr. C. McArthur.

Mr. McArthur, in a preliminary memorandum,* had submitted:—

(1) That there are considerable facilities for the insurance of war risks by companies and private underwriters in the United Kingdom.

(2) That, nevertheless, a system of national guarantee for the war risks of shipping is desirable on grounds of expediency, owing to the dependence of Great Britain upon supplies of food and raw material obtained oversea, but only pending an international arrangement for the exemption of private property at sea from capture.

(3) That having regard to the fact that a national guarantee would place property at sea in a preferential position to property on land, such an arrangement should be limited in its scope, and should not extend to British vessels engaged in trading between foreign countries; but that it should cover all vessels proceeding to or from the United Kingdom, or proceeding from one foreign or colonial port to another in ballast, or under charter to load a cargo for the United Kingdom; provided that these vessels were in no way unsuitable for foreign commerce, nor engaged in any trade which might be adjudged detrimental to the security of the United Kingdom in time of war.

(4) That Scheme A is preferable to Scheme B.

(5) That under the rule *causa proxima non remota spectatur*, which applies to all contracts of insurance, the State should not be liable for the indirect results of hostilities or for the effects of any aggravation of marine risks which might be due to hostilities, and that there would be no difficulty, therefore, in distinguishing between war risks and marine risks.

(6) That the transfer of trade to neutral flags is to be apprehended in time of war, since shippers will naturally prefer to ship their cargoes under a neutral flag.

(7) That values for indemnity should be:—

(a) In the case of the ship, for total loss, her value at the commencement of the voyage, subject to deduction in respect of any loss or damage sustained prior to capture, otherwise than by hostile acts.

(b) In the case of the cargo, its value on shipment, being invoice cost, including shipping charges and freight paid in advance, if any, subject to deduction as in the case of ship.

(c) In the case of the freight, the gross amount at the risk of the shipowner, less any saving in the ordinary working expenses of the voyage arising from the capture, subject to deduction as in the case of ship.

(d) In the case of other interests the value should be the same as that fixed by law in the case of an open (unvalued) policy.

(e) In the event of the Government granting certificates of indemnity, it might be left open for the Department concerned to agree a valuation with the parties guaranteed, and insert same in the certificate.

(f) In the case of average (*i.e.*, partial loss), whether particular average, general average, or salvage or other charges, the amount recoverable under the guarantee should be the same as that which would be recoverable under an open (unvalued) policy in Lloyd's form, against war risks only.

(8) That in the case of ships bound to a port of call it should be incumbent upon the owner of the cargo, as a condition of recovery, to prove that it was at the time of capture the property of a British subject, and that its ulterior destination was a port in the United Kingdom.

(9) That the Board of Claims should consist of about five members, aided by a staff of specialists to examine the claims in detail, and that appeal should be allowed to an arbitrator.

(10) That Admiralty control should interfere as little as possible with the ordinary course of trading, and that no delay in sailing, or deviation, should invalidate any claim under a policy of insurance on the property.

4473. (*Chairman.*) You are of opinion, I think, from the *précis* you were good enough to send me, that ample facilities exist for the insurance of war risks?—There would be if all underwriters took war risks, but I understand that many underwriters decline to engage in that class of business, and I think it is very doubtful whether those underwriters who do take these risks are sufficient to constitute an adequate market. In any case, the business is looked upon as a speculative class of business, and naturally underwriters are anxious to get as high a premium as they can, and, speaking generally, I think the premium is in excess of the risk.

4474. When you speak of an adequate market, you have in mind a market large enough to secure proper competition?—Yes, quite so.

4475. Is there sufficient capital behind those underwriters and companies who take war risks to make their guarantee a good one?—So far as it goes, certainly.

4476. And would it go far enough to cover the British Mercantile Marine?—No, I do not think it would.

4477. Then do you think that without any system of guarantee, suppose we ourselves were a belligerent, a part of the British mercantile marine would have to

* *Vide* note, p. iii.

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go without a war policy?—Yes, I think so; and I think also that the rates on that portion which is insured would probably exceed, as I have said, the value of the risk; that is to say, that the owners of the property would have to pay more than the real cost of insuring the thing which is offered for insurance.

4478. Then I infer from that you would be in favour of some system of national guarantee?—Yes, I am very strongly in favour of it, as an alternative to an international arrangement for the exemption of private property at sea from capture. That, in my opinion, is the true remedy for the evils complained of, but as that seems at present to be not within the sphere of practical politics, I certainly think it is desirable that there should be a system of national guarantee.

4479. I will not go into that question, because it is outside the scope of our reference, and for the purpose of our reference I will assume that international law remains what it is?—Quite so.

4480. You think, then, that some form of national guarantee is necessary for a country so largely dependent upon oversea supplies as we are?—Yes.

4481. Necessary in order that we may secure a continuance of those supplies in war?—Quite so. May I give the reasons very briefly which commend themselves to my mind. I may commence by four reasons. First, it is necessary to prevent violent and sudden fluctuations in prices of commodities. I take it that we, as a country, are mainly dependent for our supplies of food and raw materials upon supplies obtained oversea, and that in the event of a great maritime war, although there may be no danger of the supplies being cut off, there is a danger of such fear of their being cut off as would lead to a great increase in the cost of insurance, which would go naturally into the price of the commodity, and might cause such an increase of prices as would press very severely on the mass of our people. Then, secondly, to insure the maintenance of an efficient Navy. It is often said that what we pay for our Navy is a premium of insurance. That I believe to be the case. If that be so, then we ought to get for that premium of insurance adequate protection. To get adequate protection we must have the protection of our trade and commerce. Then thirdly, the most equitable mode of defraying the loss which must result from captures at sea. The nation must defray that loss in some form, and under the present system it goes to increase the price of commodities. It goes into the insurance, and then into the freight, and then into the price of the commodity, and so presses upon the masses of the people, and most upon the neediest. I should say further it is swelled up by the profit which the underwriter must make. Therefore I think it is better that the loss should be limited to the exact amount of the loss, and that should be treated as part of the war taxation. Then, fourthly, the protection of our shipping trade. I consider that the shipping trade is of the utmost importance to the country. The trade and commerce of the country is dependent upon our shipping trade, and anything which was calculated to injure or destroy our shipping trade would be a blow to the prosperity of the country. On these grounds I think a system of national indemnity is greatly needed and would be very valuable.

4482. Would you say that any one of those grounds was more important than the other?—Yes; I have put them in what I consider to be their relative importance.

4483. May I ask about the first ground, that it is necessary to avoid sudden and violent fluctuations. Suppose we had a scheme of national guarantee, and that it worked satisfactorily, would that by itself be sufficient to prevent those sudden and violent fluctuations on the outbreak or after the outbreak of war?—I think it would, of course, assuming that our Navy was sufficient to hold command of the seas.

4484. It has been suggested to us by some witnesses that one of the first results of the outbreak of a great European war in which we were a belligerent would be something very like a panic in the City, great withdrawals of gold, great disturbance of the money market, resulting perhaps in inability of bankers to meet their liabilities. If there were anything of that kind, or even if a fraction of that came true, those circumstances would affect prices very much more than the mere cost of insuring against risks, would they not?—I should say that those disturbances would arise rather from speculative causes, and therefore they would be only temporary.

4485. They might be very serious while they lasted?—Yes, that might be very serious, but it is a pure matter of speculation.

4486. They might involve a suspension of specie payments?—I should think myself it would be very unlikely. But that, of course, is, as I say, a mere matter of conjecture. I should think, having regard to our financial position, that any disturbance of that character would be speculative and temporary.

4487. To proceed to another question, you suggest that this would be a more equitable form of defraying the loss than the present system of allowing the losses to percolate through insurance and freights to the consumer. You would apply the system of indemnity to the cargoes as well as to the vessels, I suppose?—Certainly.

4488. Your object is evidently to secure our supplies of food and raw materials?—Yes, to prevent a sudden or great rise of prices.

4489. But would you think it possible to exclude from the indemnity other forms of cargo than food and raw materials; luxuries as distinct from necessities?—I do not think it is worth while going into that.

4490. You would therefore cover, for instance, such imports as diamonds?—Yes. My feeling is that if an indemnity of this kind is to be given it should be a full indemnity. It would be a mistake to do things by halves, and you must look not only at your immediate object, which is, of course, to prevent food and raw materials from rising in price, but also you must look at the outcome of that import trade, which is the export trade. The two go together, and you cannot safeguard the one and leave the other unprovided for.

4491. I quite agree. I only wanted to call your attention to the fact that you would be distributing among the taxpayers at large, not merely the charges on the necessaries of life, but charges on luxuries and superfluities, which at present would go to the consumer—that is, to a very rich man, not to a poor man?—That is a very small matter indeed, and, of course, such things only generally form a fraction of a cargo. I should include those, not on principle, but because I should think it would be a trivial matter to except.

4492. As regards shipping itself, suppose there is no such indemnity, what do you anticipate would happen? Would it be transferred to a foreign flag, or would it be laid up, because it was unprofitable to employ it, or what?—I take it there would be a great advantage given to competing foreign shipping, because the shipowner and the owner of the cargo would be free from the cost of insurance which would be necessary on the part of a belligerent. That being the case, of course, the shipowner could afford to take a much lower freight, and he would have an advantage over the British shipowner, and the tendency would be therefore to transfer British cargo to neutral bottoms.

4493. A good many witnesses have dwelt upon the great hardships, and, as they thought, great injustice, that neutrals suffered in the late war, and they almost led us to think that, after all a neutral is not much better off than a belligerent?—I think, if I may say so, the treatment accorded by the Russians to neutrals was exceptionally bad. I do not imagine it would take place with regard to any other civilised nation.

4494. Being in favour of a national guarantee for the reasons you have given us, would you say what limitation, if any, you would impose upon that guarantee?—Yes. Generally speaking, I think there should be a limitation, and that the arrangement should be limited in its scope to one which would secure adequate benefits to the nation at large. That is to say, we have not got to consider what would benefit the mercantile marine in itself in the first instance, but what would be beneficial to the nation, and on that ground I should exclude from the scope of the guarantee all British vessels engaged in trading between foreign countries, because this branch of our trade, however important to the shipping trade, does not vitally affect the nation at large. I think the national guarantee should be confined to vessels proceeding to or from ports in the United Kingdom, with their cargoes. I would further suggest that it should be in the discretion of His Majesty's Government to refuse a guarantee of indemnity in the case of any vessel adjudged by them to be unsuitable for the foreign trade in time of war by reason of age or inefficiency, but subject to the above limitations I think that the proposed guarantee should extend to all vessels proceeding to or from the United

Kingdom, or proceeding from one foreign or colonial port to another, in ballast or under charter, to load a cargo for the United Kingdom. Just to make my meaning clear, I would sum it up by saying I would distinguish between our national trade and our international trade, if I may so distinguish it; that is, that the national trade as between these islands should be guaranteed, but that the international trade should not be guaranteed, though, of course, it would continue to be protected by our Navy, as it is protected at present.

4495. Certain vessels are in the habit of making a round voyage, are they not?—Yes.

4496. The case might occur where a vessel took a cargo out from here to port A, a foreign port, there picked up another cargo, which it took to a second foreign port—B—and at B took up a homeward cargo, which it would bring back to England?—Yes.

4497. You would protect that vessel from England to the first foreign port, and from the last foreign port home to England, but you would leave the connecting link unprotected?—Yes, unless vessels were proceeding in ballast or under charter to load homeward cargo.

4498. Why should you protect the vessel if it were proceeding in ballast to load a homeward cargo, but refuse it protection if it were proceeding on the same errand to obtain a homeward cargo, but was fortunate enough to have a cargo between the two foreign ports?—Because it is making a profit independently of what I call the national trade—the home trade, a profit at the expense of the foreign country, or foreign countries between which it trades.

4499. Its chance, I suppose, of getting that foreign cargo between the two foreign ports would be less in time of war than in time of peace?—I think so.

4500. The neutral would be more inclined to find another neutral vessel if he could get it?—Yes.

4501. If the vessel that we are using as an illustration failed to get that cargo and to make a profit on that intermediate link of the round voyage, it would have to charge something extra on the homeward voyage to cover its expenses?—It might wish to charge it, naturally, yes.

4502. But you think that is not a danger against which we need provide?—I think that would be prevented by competition. May I just say that, of course, there are many vessels in addition to these you have named, vessels permanently engaged between foreign countries, that really never come to this country at all, except perhaps for repairs.

4503. Then I think you prefer a scheme of free indemnity to purchased indemnity or State insurance?—I do.

4504. Is that on the ground of the administrative difficulties of working a scheme of purchased indemnity, or is it on the ground of principle?—I object to the purchased indemnity because it is neither the one thing nor the other. It is a sort of compromise on the present system, and if the Government were to undertake to fix the premium, I do not see how they could ascertain what would be the proper premium to cover the risk, except by re-insuring with underwriters, in which case they would be involved in the same objection that the present system of insurance is involved in, that a premium would be charged in excess of the actual value of the risk.

4505. And you would prefer to treat the question as a national question, the discharge of a national duty?—Yes.

4506. And therefore to be paid for by the nation as a whole?—Exactly.

4507. I gather you do not think there would be any difficulty, where there was a national guarantee against the war risks and an ordinary private policy against marine risks, in settling, in the case of any particular loss, on which policy it fell?—That is so, because all policies of insurance are governed by the maxim of law *causa proxima non remota spectatur*. That is, the immediate cause of loss is to be looked at, and that alone, and the effect of that would be, in regard to the relation between war risks and the marine risks, that under a marine risk policy the underwriter would be liable for any aggravation of the marine risks which was caused by the existence of hostilities. Under a war risk policy, which, I take it, the Government would practically issue, the Government would be liable only for the immediate direct effect of hostile acts. That distinction is well established by the law of marine insurance. But there is one exception that I should like to make, and that is this, that, assuming there was an Admiralty control as provided by this scheme, it is quite conceivable that there would be certain risks caused by that Admiralty control which would not be covered by the ordinary policy of marine insurance. Take the case of a cargo of meat or other perishable goods. Supposing that the vessel is ordered by the Admiralty to remain in port ten days or a fortnight, the probability is that the whole of that meat would be destroyed by deterioration, and the other perishable goods, such as fruit, or fish, or whatever it may be, would be either destroyed or very greatly injured. That is not a loss that would be covered under a policy of marine insurance, and therefore I think it would be necessary that the Government indemnity should provide for a case of that kind, otherwise the person guaranteed would be a sufferer from the action of the Government, and would have no means of recovering his loss.

4508. The ordinary war policy of Lloyd's would not cover damage of that kind, would it?—No, because that is not a hostile act. Adopting the principle *causa proxima*, the immediate cause of loss is not an act of hostility, but is simply a principle of decay inherent in the thing.

4509. But you think it would be necessary in the case of a Government indemnity, coupled with the right of the Admiralty to impose restrictions on sailing, that the Government should cover loss through deterioration?—Yes; I think there should be a liability on the part of the State for loss or damage caused by Admiralty instructions and not recoverable under the terms of an ordinary policy or by any policy actually effected on the property.

4510. Do you mean that to cover damage through loss of market?—No. That is not an actual loss or damage, that is simply a depreciation. I do not think that such things as loss of interest or loss of market could be covered. They are not covered by any system of insurance so far as I know at present, because they are such vague risks that it is really impossible to define them.

4511. And you would limit it, therefore, to something that was provable and tangible, beyond deterioration of the cargo?—Yes, something that inflicted an actual damage upon the subject matter guaranteed.

4512. Do you think there is much danger of a transfer of shipping to a neutral flag in time of war?—I think there is. Perhaps not in the way of a transfer of nationality. I should think there are great difficulties in making that transfer legally in time of war, but the great danger would be that British shipping would be thrown out of employment, that foreign ships would take their places, and that at the close of the war there would be great difficulty in getting the business back again.

4513. Then as regards computation of values, we have had a great deal of conflicting evidence on that point. Will you give us your opinion?—In principle, I think the values that should be recoverable are what is covered in the law of insurance under an open or unvalued policy—that is, the value of the subject matter insured at the commencement of the risk.

4514. That would be at the commencement of the voyage?—At the commencement of the voyage, yes.

4515. Would it be possible to arrive at that after a loss, or would you have in each case to ascertain that value beforehand?—I think it would be much the more convenient course, and avoid dispute, if the Government were to issue a certificate of guarantee when they assumed responsibility for the risk, and if the value could be agreed in that certificate, as it is done now in 99 cases out of 100 in regard to a policy of marine insurance. The system of valued policy is universal in order to prevent disputes arising after loss.

4516. Of course you know better than I what a tremendous organisation is required to do that work habitually at Lloyd's and through the companies?—Yes.

4517. Could Governments step in suddenly on the outbreak of war and practically duplicate the whole of the work in respect of the war risk?—I am rather doubtful whether it would be practicable. The more practical scheme would be simply for Parliament, I suppose, to pass an Act that from the commencement of hostilities all British shipping and their cargoes,

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within given limitatons, shall be the subject of a State guarantee, leaving it to the constituted authorities afterwards to ascertain the amount of the indemnity. I merely suggest a valuation to be agreed upon beforehand, where practicable, as the best means of avoiding disputes hereafter. I quite see that there would be a difficulty in fixing the value of the property, more particularly the value of the ship, after a loss had happened.

4518. Suppose it had not been found possible to arrange to agree values beforehand, would you yourself feel it was an impossible task, if you were asked to serve on a Committee in Liverpool, to ascertain values after the losses had been incurred?—I will not speak personally, but I will say that I do not feel any doubt that any properly-constituted Committee or Board would have no difficulty in ascertaining the real value of the ship. I have no doubt whatever that they would find no difficulty in fixing a fair reasonable value to be placed upon any ship after hearing evidence. But whether that would satisfy the person guaranteed is quite another matter. My experience rather goes to show that it would not. I mean that there are so many different opinions, and naturally the owner of the property always thinks his property of more value than an outsider. But as an average adjuster I have to constantly fix the value of ships for contribution to general average, and I get the certificate of a broker. The broker is perfectly competent to give the value of that ship. He looks her up in Lloyd's book, he looks up sales of similar vessels, and he knows within a very small amount what this ship would fetch in the market, and that I take to be the value which would be granted under a certificate of guarantee. But then you might have the shipowner saying, "My ship is a special ship," or you might have the shipowner producing another broker's certificate showing the ship was worth £2,000 more.

4519. But all that might apply under present marine policies?—Yes, but marine policies are valued.

4520. There are a few cases, such as those you just now spoke of, as open policies, I think, where there is no value put in?—They are very rare indeed. I really think we might dismiss them altogether. The value of the cargo there would be less difficulty about, because the invoices should prove its value on shipment, and the expenses of shipment could be added.

4521. You would not be afraid of having loaded invoices?—I was going to say I would suggest that there should be a provision that anything of the nature of fraud on the part of the person guaranteed should invalidate the Government guarantee. That is simply importing into this a fundamental principle of the law of insurance. I think that would be a sufficient protection.

4522. And you would allow the value of freight?—The value of freight should be the gross amount at the risk of the shipowner, less any saving in the ordinary working expenses of the voyage arising from the capture.

4523. In your *précis* you say that in the case of other interests the value should be the same as that fixed by law in the case of an open unvalued policy?—Yes.

4524. What other interests are you thinking of?—Some such interests as passage money, which is not freight; or cattle, which are not cargo.

4525. In details generally, as for instance in the case of average, you would follow the practice of ordinary marine insurance as closely as possible?—Yes, I should. I do not know whether it is the intention to cover partial losses. I have put down something on that subject which perhaps needs attention.

4526. Will you just give us your views on that subject?—In order that the indemnity should be complete it should extend to partial loss; in the case of average, whether particular average, that is, damage to the ship or cargo, general average, that is, damage incurred for the safety of the whole adventure, or salvage or other charges. In case the indemnity extends to that, the amount recoverable under the guarantee should be the same as that which would be recoverable under an open (unvalued) policy in Lloyd's form, against war risks only, plus liability for special Admiralty risks.

4527. The special Admiralty risks being those of which you told us just now?—Yes, more particularly loss or damage of perishable cargo by delay, or loss of voyage by interdiction of vessel proceeding to the port of discharge. That, of course, is rather a serious risk.

4528. Then you propose to confine the guarantee to vessels and cargoes either leaving this country or returning to this country?—Yes, or proceeding from one colonial or foreign port to another to load a cargo for this country. I cover the whole ambit of her course, as it were.

4529. It is very customary, is it not, for vessels to sail from a foreign or colonial port with instructions to call for orders here, and without the ultimate port of her destination being settled?—Yes.

4530. How would you deal with that?—In the case of ships bound to a port of call in the United Kingdom to receive orders there to proceed to a port of discharge in the United Kingdom or on the continent, as directed, and captured before arrival at the port of call, it should be incumbent upon the owner of the cargo, as a condition of recovery, to prove that the cargo was at the time of capture the property of a British subject, and that it was not destined for a foreign country. In the event of such proof not being forthcoming to the satisfaction of the Department, the owner of the cargo should have no claim for indemnity. The right of the shipowner to recover an indemnity in such case should be unaffected. In case the vessel were captured while proceeding from a port of call to a foreign port of destination, the owner of the cargo should have no right of indemnity. The right of the shipowner to recover an indemnity in such case should be unaffected.

4531. In many cases it would be impossible, would it not, for a cargo owner to prove that a vessel proceeding to a port of call had an ultimate destination in the United Kingdom. That might depend upon the state of the markets at the moment?—Yes, but what I have suggested is to prove that the cargo was at the time of capture the property of a British subject, and that it was not destined for a foreign country. I mean that in the absence of proof that it was destined for a foreign country, I should take it it was not destined for a foreign country; I would give the owner of the cargo the benefit of the doubt.

4532. Take a cargo of cotton coming to a port of call in this country. Suppose one of the continental markets was more favourable to the seller than our own at the moment, it might be sent on there?—Yes.

4533. But the owner would not have to make that decision until the vessel arrived at the port of call?—Yes, and if at the time of capture the cotton was still the property of a British subject, I do not see that you could deprive him of the benefit of the indemnity, because probably he might have decided eventually to send it abroad.

4534. Practically you would have to treat all cargoes coming to a British port of call for orders as being intended for Great Britain, up to the time they reached the port of call?—Yes, I think so, unless it could be shown that the cargo had been sold prior to arrival at the port of call.

4535. (*Sir George Murray.*) Would not you substitute "or" for "and" there—the property of a British subject or with its ulterior destination port in the United Kingdom?—I think either of those conditions should preclude the person from recovering. If the owner was not a British subject, I do not think the object of the guarantee should be to protect him. On the other hand, if he were a British subject, but intended the cargo to go to a foreign country, then there would be no object in the guarantee applying to it, because it would be no benefit to Great Britain.

4536. (*Chairman.*) Then you say that if we are to have a scheme of this kind, we must have a small expert Board of Claims, practically?—Yes.

4537. Would you be content that their decision should be final, or would you think it necessary to allow an appeal?—I think there should be an appeal. I do not think it would be satisfactory to the mercantile community if the Department might give a decision against which there was no appeal. I think the position might be looked upon to a certain extent as one-sided, because the Government would be really the underwriter, and it would be the decision of the underwriter, in which the assured had no voice.

4538. Would it be necessary to leave the dissatisfied shipowner or cargo owner his full resort to the courts?—No, I do not think that would be advisable, because we know there is so much delay connected with litigation that it would probably give rise to great delays,

and I think it would very much prejudice this guarantee if it were felt it was a matter about which there might be litigation, and there was no knowing when the shipowner or cargo owner would get his money. I think the mercantile public would much prefer referring the matter to arbitration, in case of dispute. If all parties agreed to one arbitrator, that would be the best way to deal with it; but if not, each party to appoint an arbitrator, and those two arbitrators to appoint a third, the decision of any two to be final.

4539. You attach great importance to the prompt payment of claims?—Yes, very great importance indeed.

4540. And payment in cash, I suppose?—Payment in cash. Of course, the usual term with Lloyd's policies is payment in 7 days after issuing the credit note—that is, 7 days after the time when they agree the claim is correct. I think something of the same sort should apply.

4541. As regards Admiralty control, you are in substantial agreement, I think, with the suggestions made in Scheme A?—Yes, provided that the regulations to be imposed should interfere as little as possible with the ordinary course of navigation and trading, especially as it is intended that all loss consequent upon delay, deviation, or prolongation of the voyage, should fall upon the owners of the property. Of course, the owners of large modern valuable steamers think a great deal of loss of time. Loss of time is a great deal of loss of value to them, and it would not do for the naval authorities to disregard that element in the case. I think it is quite reasonable that proper arrangements should be made for protection of the property, and the owners of the property ought to fall in with those arrangements, but I think they should be as little harassing and vexatious as possible. Then I have mentioned a point which I think is of some importance, and that is that attention ought to be given to the possible effect of these orders upon the ordinary marine insurance policy. It is possible that if a vessel were ordered to depart from her usual course, ordered to put back, or stay in port an unusual length of time, that might be held to invalidate a policy. It would have to be provided by statute, I think, that no delay in sailing, detention, or deviation from the ordinary course of the voyage, required to comply with conditions imposed by the Admiralty, should have the effect of invalidating, or should be admissible as a defence in the case of any claim under a policy of insurance on the property.

4542. How would the underwriting world like that?—I do not think the underwriting world would like this arrangement at all, if you ask my candid opinion about it.

4543. (*Sir James Mackay.*) They would put the premium up, would they not?—Yes, I think the underwriter would charge a certain additional premium, but then there is such great competition among underwriters that it would find its own level. I do not think the increase of risk would be very much, and probably the underwriter would eventually have to take it for little or nothing.

4544. (*Chairman.*) You would propose to allow the shipowner or cargo owner to insure again the same property for which he had the national indemnity?—To insure an additional amount?

4545. Yes?—I do not think you could prevent his doing that if he wished to. You would have to let him do it. Of course, he would do it at his own expense.

4546. But if you give a shipowner a guarantee, without charge, of the value of his ship, and allow him then to insure his ship elsewhere for its full value, and to obtain double the value of the ship if the ship is lost, once from the Government for nothing, and once from his insurers in respect of a premium, that is rather calculated to prevent that ship coming safely home than to get it safely home, is it not? You would at least give an inducement to a dishonest man to lose his ship?—Of course, that has been so under the existing system of marine insurance. You have to trust to the *bonâ fides* of owners. You provide, as I say, that any fraud should vitiate the guarantee.

4547. And you think that would be a sufficient protection for the State?—The only alternative would be to provide that the Government, on paying the loss, should succeed to any guarantee or any insurance the owner might have effected in respect of the same risks. That might be done; I am not prepared to express an opinion on the desirability of that.

4548. (*Sir James Mackay.*) That would have the effect of preventing them from insuring again, would it not?—Yes, it would have that effect.

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4549. (*Mr. Llewellyn Smith.*) You made a suggestion for an alteration in the law about effecting ordinary marine insurance, with the object, I think, of securing that all the risks should be covered either by ordinary policy, or by the Government guarantee, that the shipowner should not encounter any risks for which he could not recover either from one or the other?—Yes; any direct risk of loss or damage, I think, should be covered.

4550. The object being that he should not fall between two stools?—Exactly.

4551. You would give an appeal from the Board of Claims, not to the courts, but to an arbitrator. That is your suggestion, I think?—Yes.

4552. Supposing that arbitrator gave his decision that the loss was not one covered by the national guarantee, I suppose then the shipowner would have to go to the underwriter with that decision and claim under his marine policy?—Of course, it would not follow because the loss was not covered by the national guarantee, that it was covered by the ordinary policy.

4553. I thought that was the object, that there should be no risk of falling to the ground between them?—We will suppose, *primâ facie*, it was a loss directly resulting from an act of hostilities. Then I think it must be recoverable under the guarantee, unless the guaranteed party has prejudiced himself in some way, as by not complying with the Admiralty regulations. In that case he would be disqualified from recovering under the guarantee. That would not give him a claim under the ordinary policy.

4554. Of course, there might be certain cases in which he might be disqualified from either, but there might be a doubtful question of fact?—The case you are supposing, I think, is a case where the loss has resulted indirectly from some hostile Act?

4555. Yes?—There is a case I might quote to exemplify that. In the American Civil War the lights were extinguished in the Hatteras Lighthouse by the Confederates, and in consequence of that a vessel went ashore and was lost. It was held that was a loss by perils of the sea, and not by a hostile act. But the law is so very clearly defined now on that point that I do not think there is much risk of a misapprehension.

4556. (*Chairman.*) One question about that. Suppose a vessel were injured by a shot from the enemy, and yet escaped, with fine weather the vessel might make its port safely, although injured; but it subsequently meets a storm, and it goes to the bottom in the storm. Is that due to the war risk or the sea risk?—That is a loss by perils of the sea. There are decided cases on that point.

4557. (*Sir James Mackay.*) The shot might have contributed, though?—Yes, but in that case what is called the doctrine of merger would apply—that is, where there is a partial loss it is swallowed up by the subsequent loss, so that the assured receives no detriment from the partial loss, and has no remedy. I have put down a case which is really a direct case on that point, the case of Livie v. Janson, which at once shows the distinction. A ship and goods were insured warranted free from American condemnation. The vessel was damaged by perils of the sea, and driven ashore in such a position as to be afterwards seized and condemned by the American Government. Lord Ellenborough held that the subsequent total loss by seizure and condemnation took away any right to recover in respect of the previous partial loss by perils of the sea. This case proceeded on the principle pointed out by Lord Campbell, that "If a total loss occurs, from which underwriters are exempt, they are not liable for previous partial loss unrepaired, which, in that event, does not prove prejudicial to the assured. The line is drawn very clearly between those two classes of loss.

4557*. (*Mr. Llewellyn Smith.*) But, still, there would be cases in which the question of fact would be in doubt, and it would go to arbitration?—Yes.

4558. The shipowner would then go to the underwriter, and say: "The arbitrator has decided that this is not a case of war risk, and so I claim insurance money from you," and perhaps the underwriter would dispute it, and then there would be an appeal to the Court, I suppose?—Yes, there would, in that case.

4559. The question is whether it is desirable, if there

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is to be an appeal, to give an appeal in one case to the Arbitrator, and in the other case to the Court, because I suppose the Arbitrator's decision would not go to the Court?—I think it would be a good plan to empower the Arbitrator, on any important question of principle, to state a case for the opinion of the Courts on the application of either party. My feeling is this, that all small matters and matters of amount should be settled by arbitration to avoid delay, but I should not like to exclude any important question of principle from the Courts. I think there should be some way of appealing to them in any important matter.

4560. Supposing there was no indemnity at all, do you think the shipowners would be able to get all their war risks underwritten at some figure or other?—I think so.

4561. The insurance market would be wide enough for that; there would be people prepared to take the risks?—I think some underwriters would take any risk at a premium.

4562. And would their policies be such as the banks would recognise?—Yes, speaking generally. Of course, that is done by Lloyd's and the companies. There is a very large business done by German, French, and Belgian companies, who have a large business in this country.

4563. If we happened to be at war with any one of those——?—It would shut them out.

4564. But you do not anticipate a financial crisis in the sense that banks would not finance shipping operations because they would not recognise the policies?—No, I think not.

4565. Then your object in advocating a national indemnity is mainly to guard against sudden and violent fluctuations of rates of insurance?—Yes.

4566. You have not any doubt that there would be some rates quotable?—No. I think one incidental advantage would be to compel this country to keep up a Navy which was capable of fully discharging its obligations.

4567. You thought that the transfer of British ships to neutral flags was not very seriously to be apprehended in war time, because of the difficulty of a legal transfer, but that the business might be transferred by the laying up of British ships; but, seeing that British ships form such a large proportion of the world's mercantile marine, would not any considerable laying up of shipping cause such a rise in freights as would tempt them back again?—There would be a tendency to that, certainly.

4568. Unless there was a real transfer of shipping, could the neutral shipping continue to do their own business and do any large section of ours?—There are always a large number of ships laid up unemployed, and those would be drawn into the market.

4569. There is a large reserve?—Yes. There are a great number of ships unemployed everywhere.

4570. But a transfer of shipping to neutral flags is not one of the things that you would advocate a national indemnity in order to guard against? Some witnesses, I may tell you, have done so?—I do not think that is likely to take place during a war of short duration, and probably any great naval war now would be a war of short duration.

4571. I suppose it is at the outset of such a war that you would anticipate the most violent fluctuations?—First, at the outset, and then in the case of any captures, or striking reverse of the naval power of this country.

4572. (*Mr. Huth Jackson.*) You said that you thought the insurance world would be quite competent to look after the amount required to be insured in case of war, and you also thought that the policies of the insurance world would be taken by bankers and others as good security. Now, supposing there were some serious captures in the early part of the war, which might run into many millions sterling, do you still think the insurance policies under those circumstances would be taken by bankers, and do you still think that the insurance companies and Lloyd's would be willing to go on with the insurance?—I think the market would remain open, but there would be a great rise in insurance rates.

4573. You think that the bankers would be still willing to take the policies, but cannot you conceive a possibility of the bankers not being willing to take the policies?—They might possibly object to some policies, but they would be the exception, I think. The principal marine insurance companies have very large reserves, and there is no reason to fear their not fulfilling their obligations. There are, of course, some companies not so strong as others. I can conceive if there were any very great run of captures there might be a difficulty.

4574. That would, of course, mean stopping shipments of any kind to this country?—That would depend on the extent. I do not think it would take place to any great extent. The evil, to my eyes, is the aggravation of premium; not the sufficiency of cover, but the rise of premiums to such an extent as to unduly swell up prices and so to cause privation.

4575. You prefer the Scheme A—that is, without payment of premium, to Scheme B?—Yes.

4576. Of course, there is no idea of giving a bonus to British shipping—that is, placing it in a position better than that in which neutral shipping would be under the same circumstances?—No.

4577. I presume that neutral shipping would have to pay a war premium?—Yes, I presume so.

4578. And I take it that neutral shipping would also charge that in the freight?—Yes, I should think so.

4579. If we gave a national indemnity to our ships that would practically mean, would it not, that they would be able to do the business at a lower freight than the neutral shipping?—Against that you would have to set the aggravation of marine risks by the existence of hostilities.

4580. The marine risks would not be any greater than they were before, would they?—I think they would. I think the marine risks would be increased on account of the possibility of the Admiralty giving orders for vessels to go out of the ordinary course of navigation, or to remain longer than they otherwise would at a port of call, or to put into a port of call.

4681. But would not you cover that detention by the Admiralty in this policy?—No, I take it there is no intention of the national guarantee to cover detention.

4582. Supposing, for argument's sake, there was an area which the Admiralty thought was a dangerous one, and it would be obviously to the advantage of the Admiralty, or call it the nation, to detain ships, which would otherwise be certainly lost, and for which they would have to pay full value, for an undetermined time in a safe port, rather than allow them to be captured; do you think the Admiralty should be permitted to do that and yet not compensate the owner of the ship or cargo?—I understood that was one of the conditions.

4583. That is a suggestion; I only wanted to ask whether you agreed to it?—Yes; I do not think that loss from delay is a kind of loss that any guarantee could undertake. It is not undertaken, in fact, by underwriters.

4584. Do not the mutual insurance companies cover that?—They cover demurrage, yes, but that is a specified thing. That is a specified amount, where a ship is detained under a charter party for a certain number of days.

4585. Is not that also covered amongst one of the war risks in these mutual insurance companies?—Not as a war risk. That is what we call a Demurrage Club. There are clubs called Demurrage Clubs which cover the shipowner against demurrage—that is, in the event of his being detained for a certain number of days beyond the number of lay days allowed by the charter party, then he is entitled to recover so much per ton per day demurrage; but that is a very different thing from a vague claim for detention of a cargo, we will say, in a port of refuge for two or three weeks.

4586. If I may say so, I believe that detention is covered by the mutual insurance companies?—Possibly, but I was not aware of it, excepting in the case of demurrage.

4587. (*Chairman.*) It is covered only in regard to the ship, is it not, not in regard to the cargo?—Only the ship.

4588. (*Mr. Huth Jackson.*) I am talking now of the ship. So that that would not be an additional marine

risk?—It would not, if there are clubs which insure it, but I was not aware of their existence; and I am certain that the loss by detention of shipping is almost, if not quite, universally uninsured.

4589. What I mean is, that if you give the Scheme A the free indemnity, you may be giving an actual bonus to a British ship as compared with a neutral ship, which is certainly not the intention?—I think, on the whole, that there is so much to set against that that it would not amount to anything material.

4590. Yes?—I take it, if she were captured she would is the property of a British subject?—Certainly.

4591. Is there not a great deal of food and raw material which comes to this country unsold until it practically arrives in this country?—That would be protected against capture under the existing law. Neutral cargoes are not subject to capture under the Declaration of Paris—a neutral cargo coming to this country in a British ship.

4592. But it might be conceivable, might it not, that such articles as food and cotton might be declared contraband of war?—Yes, they might.

4593. And you might stop the stream of food or raw material coming to this country?—I think it would be protected, firstly, in this way, that I do not think any government would venture to declare food, generally speaking, as contraband of war unless it could be proved it was specially destined for the military and naval forces. Even in the late war Russia was compelled to abandon that position.

4594. At the same time it would be likely to stop the stream of food and raw material coming to this country if you limited the guarantee to only that which was the declared property of a British subject?—I do not think so, because I think, in the first place, it would be free from capture under the existing law, and if there were any attempt to violate that I think the neutral Government would look after its own interests just as we had to do in the Russo-Japanese war.

4595. You indicated that you did not think there would be much difficulty in distinguishing between war risks and marine risks. Might I, as an illustration, mention the following point:—Suppose a vessel were lost at sea?—Never heard of?

4596. Yes?—I take it, if she were captured she would be heard of.

4597. She might be sunk by the enemy's ship. I mean there are questions of that kind?—Yes.

4598. Do you not think it would be better to leave those questions to be dealt with in the ordinary channels, by appeals to the courts?—I think a case of that kind is more suited for the courts, certainly. It is a question for a jury in the case of an overdue ship to say how she is lost.

4599. (*Sir George Clarke.*) Have you formed any idea from past experience of the height to which premiums might rise in war?—I made some inquiries as to the rates on neutral property during the late war, and I found they varied from 10s. per cent. to 7 guineas per cent. Such matters are very fluctuating, and would depend, of course, to some extent, on the character of the risk. On Holt's steamers to India and China the rate was 10s., but an underwriter told me he had got from 5 to 7 guineas per cent. on neutral property.

4600. The market runs very much higher than that?—In the case of a belligerent risk it would run very much higher than that. I should think it would go to 10 per cent., or higher.

4601. You are clear that you prefer free indemnity to purchased indemnity?—Decidedly. I think, if I may say so, if it is to be done at all it must be done so as to give the utmost possible satisfaction and confidence, and not in a half-hearted or grudging spirit.

4602. Would you say that free indemnity would place property at sea in a preferential position?—To property on land, yes.

4603. If that is so, why should not the people who have been placed in a privileged position pay something for that privilege?—Only on national grounds, that it is necessary to provide some means of securing our supplies of food and raw material against serious interruption or inflation of price, and that this is the best method of doing it. Of course, as I have said, I would limit it to ships actually engaged in the home trade, the trade to and from this country.

4604. Would it not create a sense of grievance, in the minds of other people whose interests were suffering gravely in time of war, to know that particular interests did not suffer at all?—As I have tried to point out, there would be a great many risks that the shipowner would have to bear which would not be covered either by insurance or by this guarantee, such as for instance the risk of delay. That is one of the most serious risks. A voyage might be doubled in length, and that would involve the shipowner in most serious loss of interest on the ship, which he could not recover under any contract whatever. There is the doubling of the wages bill of the crew, for instance.

4605. Still, on the whole, the probability is that, under a system of free indemnity, shipowners and owners would do pretty well in time of war, when every other trade was depressed?—I do not think a shipowner would be completely indemnified. I think he would be in a much worse position than if there were no war at all.

4606. Then this system of free indemnity would put an end to all private insurance of war risks automatically?—Yes, except for an increased amount.

4607. Do you think it is desirable to abolish all private enterprise of that kind?—I think that this system is preferable.

4608. You do not think it would be much better for the State to come in only to stop premiums rising above a certain fixed amount?—No, I think not. I think that would be a very difficult thing for the State to do. It would be a very difficult thing to decide what was an adequate premium. It is neither one thing nor the other. It is an interference on the part of the State with the ordinary course of business, without the State undertaking the whole thing.

4609. Still, it would be a considerable boon, would it not, though not the whole boon, for owners to know that they would never have to pay more than a certain amount of insurance. It would be a considerable improvement on the present situation, would it not?—I do not think it is worth while to set in motion a scheme for the purpose of obtaining such results as those.

4610. But your main point was that the rise of premiums and the fluctuation of premiums was the danger?—Yes.

4611. If you could steady your premiums would it not achieve most of your object?—I should think there would be a great objection to saying that any particular premium was the maximum premium beyond which the underwriter could not go.

4612. Supposing you draw an arbitrary line, if the line is drawn too high the underwriter does the whole of your business for you. If it is drawn too low then the State will not lose so much as it would lose under the system of free indemnity?—I think it would very greatly encourage underwriters and insured to agree upon premiums, knowing they would be in excess of the premiums which they would be allowed to agree upon in ordinary business times.

4613. If the market rates ran up to the height of the State premium there would be no business at all?—Yes, but do you propose that the State should limit the amount of premium which should be paid, or that the State should pay the excess?

4614. That the State should say, We are willing to insure you at a certain maximum rate. If the market rate does not run to that, the business would be done by private enterprise?—I think it would always rise to that.

4615. But the underwriter wants to keep some business and make some profit, I suppose?—Do you propose that the State should say, We guarantee you up to 10 per cent.?

4616. No. Supposing the State says, For a voyage from London or any English port to Australia we will insure you at 2 per cent. or 2½ per cent., or something like that; if it is too high then the underwriter immediately takes the business. If it is too low, the State loses, but does not lose as much as it would lose under a system of free indemnity?—I do not think that would be a satisfactory arrangement.

4617. You do not think that the mercantile community would rather have that than nothing, which may be the alternative?—No, I do not say that, but I say I very much prefer the other method.

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4618. Do you think this would be better than nothing?—I think it would be better than nothing.

4619. Why do you expect that wars are going to be short?—I think the tendency of all progress in naval science, in common with military science, is to make wars brief.

4620. We have no experience of a naval war in which we have been involved for a hundred years, and do you not think it is probable that any naval war in which we were involved might last a considerable time?—I think the ships would be brought so much more quickly together that decisive engagements would much more rapidly ensue, certainly, at the present time, than in the old time of sailing vessels.

4621. But decisive fleet engagements would not necessarily produce the end of the war?—You might conceive, of course, in certain circumstances, a war prolonging itself, but I think the tendency would be to have brief wars.

4622. Is it not rather probable that if we were at war with any naval power it would last a long time, well over a year, or something like that?—My opinion, for what it is worth, is that things would very quickly come to an issue, and one side or the other would be crushed.

4623. But the naval issue might not decide the war. It might decide the war against us, but a naval issue in which we were victorious might not decide it in our favour?—It might not decide it.

TWENTY-SECOND DAY.

Tuesday, 23rd July 1907.

PRESENT:

The Right Hon. Austen Chamberlain, M.P. (*Chairman*).

Sir James L. Mackay, G.C.M.G., K.C.I.E.
Sir George Sydenham Clarke, G.C.M.G.
Sir George H. Murray, K.C.B.
Mr. H. Llewellyn Smith, C.B.
Mr. Edward Beauchamp, M.P.
Mr. Henry Neville Gladstone.
Mr. Frederick Huth Jackson.
Mr. George H. Duckworth (*Secretary*).

Mr. James Alexander Toomey, called and examined.

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Mr. Toomey, in a preliminary memorandum,* had submitted:—

(1) That Scheme B is preferable to Scheme A, since it is desirable that as far as possible any National Guarantee should be given on business lines.

(2) That the Guarantee should extend to all ships of British register and their cargoes.

(3) That the Guarantee should be Imperial, and that arrangements might be made with the Indian and Colonial Governments whereby they should undertake a share of such losses as might be incurred, in return for the protection given by the Imperial Navy.

(4) That even though the ordinary War Insurance market might be equal to the demands likely to be made upon it in time of war, yet that the rates asked in the event of heavy losses would probably be prohibitive.

(5) That, having regard to the immense interests involved, the State might fairly be expected to cover losses for which the premium demanded was inadequate; that the rates might be varied during the war; and that the maximum to be asked should be announced beforehand.

(6) That it is to be anticipated that the rates of premium in the open market would be an important factor in the general rise in prices during war time.

(7) That, in order to interfere as little as possible with the business of Insurance Companies, the State Guarantee should be confined to war risks only, so that the companies and underwriters should have the benefit of ordinary marine insurance.

(8) That it is desirable that a form of contract between the State and the shipowner should be signed before leaving port, but in the event of Government conditions not being complied with the holders of bills of lading for cargo should be entirely unaffected under their State policies.

4624. (*Chairman.*) You are manager of the National Bank of India, I think?—That is so.

4625. In the evidence that you give to-day you come as the representative of the Exchange Bankers' Association?—Yes, I represent the four leading banks doing business with India and the Far East.

4626. They have considered the terms of reference to this Committee?—Yes.

4627. And they have had before them the two draft schemes that we drew up as sketch plans of the kind of thing that might be possible?—Yes, Schemes A and B

4628. Will you give us your views generally?—The Exchange Banks are not in favour of Scheme A, whereby a national guarantee would be provided gratuitously, being of opinion that, as far as possible, any such guarantee should be given on business lines.

4629. Are they in favour of Scheme B?—They are in favour of Scheme B, whereby State insurance of war risks would be provided on payment of a premium by the shipowner or shipper of goods, and they consider that the scheme should be extended to all ships of British register and their cargoes.

4630. And as regards Indian and Colonial shipping?—They consider that as the Indian and Colonial Governments have no naval forces to protect their commerce the whole matter should be left to the Imperial Government to undertake. But we think an arrangement might be made with the Indian and Colonial Governments by which they should both share such losses as might be incurred, in return for the protection given by the Imperial Navy to their commerce.

4631. In advocating a scheme of insurance on those lines, what are the objects which you have chiefly in view?—We do not say that the war insurance market would not be equal to the demands likely to be made upon it in the event of England being involved in a war against another European Power or combination of Powers, but insurance companies, being commercial undertakings, would be compelled to charge rates of premium calculated to give a reasonable margin of

* *Vide* note, p. iii.

profit, and these rates might, in the event of heavy losses, be made prohibitive. Such considerations would not apply to State insurance, the object of the State being to provide insurance at non-prohibitive rates, and to facilitate trade by all means in its power.

4632. Are you afraid of the loss of our shipping, or is your object mainly to secure the free course of our commerce?—Mainly to secure the free course of our commerce.

4633. You are afraid that rates would rise to such a point that ordinary commercial operations could not be carried on?—Well, they would be carried on with considerable difficulty. Merchants would not know exactly where they were with regard to insurance rates.

4634. But the outbreak of war would be followed by great uncertainty in the commercial world on all hands, would it not?—Yes. It would disturb trade in all its branches very largely.

4635. And all the financial operations of trade, the credit on which trade depends?—Yes; it would tighten money, for instance, and make bankers cautious, and there would be considerable difficulty. Trade would not be carried on with the ease it is carried on at present.

4636. Having regard to all those circumstances, do you think that even high insurance rates would be a very important factor in the general raising of prices?—I am quite sure it would.

4637. Will not the other factors be really of much greater effect? If you can suppose for a moment that there was no rise in war premiums, or no war premiums were necessary, there would still be a great rise in prices, would there not?—Undoubtedly. Freights would be higher for one thing. All charges would be higher.

4638. And the very restrictions of credit and the restrictions of banking operations, of which you have spoken, will tend to raise prices?—Quite so.

4639. And to create a degree of uncertainty in the minds of commercial men as to the operations to be carried on?—No doubt.

4640. When you have made proper allowance for those disturbing factors, do you still think that the marine insurance rates would count for very much in the total?—Yes; I think there would be a large amount of uncertainty with regard to insurance rates. I think it would be highly desirable to have a State guarantee covering war risks. It would be advisable to make the scheme self-supporting, but that would be practically impossible to do. But we say that the loss should be minimised as far as possible, and that the rates of premium charged should be fixed on the low side rather than on the high side.

4641. Of course, in so far as the scheme were not self-supporting it would come under the condemnation you pass on Scheme A, of being not on business lines?—Yes, but you see it would be highly desirable to carry on this Scheme, say Scheme B, even at some loss to the State, because, although shipping would benefit the nation would benefit, on the other hand, by trade being greatly facilitated.

4642. It would not be quite true, would it, to say there would be no restriction, because no scheme of indemnity would insure the arrival of the cargoes?—Quite so. At all events, it would facilitate commerce to a very large extent by having this Scheme B.

4643. It would encourage ships to sail, but it would not ensure their arrival?—Quite so.

4644. It might even tempt them into some recklessness?—The State guarantee?

4645. Yes?—I do not see where it would.

4646. If they were guaranteed against loss whatever happened, a shipowner might take fewer precautions?—Yes; but I think the Government should draw up a set of rules for shipowners to follow. In any case the holders of bills of lading should not be affected in any way by any breach of conditions on the part of shipowners.

4647. You feel it necessary that the guarantee to the holders of bills of lading should be absolute?—Absolute.

4648. But the guarantee to the shipowner you would make dependent on his carrying out the Admiralty conditions?—Quite so.

4649. Those conditions, I presume, would have to be general. They could not be issued to each ship individually?—No, they would be general conditions for all shipowners to subscribe to.

4650. They might at a given time involve the closing of a particular route altogether?—Yes, according to circumstances.

4651. Conceivably, under certain circumstances, the Mediterranean might be declared unsafe by the Admiralty?—Quite, and then they would have to sail round the Cape. At all events the shipowners would have to carry out the Admiralty conditions.

4652. And you would be prepared for the Admiralty conditions taking that character if need be?—Of course we should have to abide by those conditions.

4653. Do you consider that it would be necessary for the shipper of cargo to have a document from the State to show that he was guaranteed?—Yes, he should have a sort of State policy covering his war risks, which could be handed to banks on negotiation of bills of exchange.

4654. And therefore each separate venture would have to be represented, as it is in ordinary times, by separate policies?—Quite so, or by an open policy, as the case may be.

4655. Have you considered how the State could organise an office capable of discharging those duties on the outbreak of war?—No, I have not; but, of course, it would be necessary to get the machinery all ready to start in the event of a war breaking out.

4656. The State clearly could not maintain an office staff to do that work in time of peace, when the work would only arise on the rare occasions of a great war?—That is so. You would not have a permanent department.

4657. The amount of work to be done would be equal to the ordinary peace work of Lloyd's, and all the insurance companies put together, would it not?—No doubt there would be a very great rush of business.

4658. Do you think, I will not say any Government Department, but any Government or private individuals, could organise a business of that kind suddenly?—I think if the Government are going to take up this Scheme B seriously they should make all their arrangements for it to be put in force at a given time.

4659. They would have to have, I suppose, an office at each of the principal ports, at any rate?—They could appoint agents at different ports.

4660. Do you think they might use the insurance companies or brokers as their agents?—Yes, that would be advisable.

4661. How do you suggest that they should fix the rates? Should they draw up rates in peace time, before war has broken out, and before they know the exact circumstances, or must they wait until a particular war has begun?—I think the Government should take expert opinion with regard to the rates of insurance in time of war, and then when war broke out the Government should be prepared to quote certain rates. If they were not sufficient, they could be raised, and so on, but the Exchange Banks think it would be desirable for the Government to fix a maximum rate, beyond which the Government would not go under any circumstances during the continuance of hostilities. That would give great confidence to the mercantile community. Merchants would say, Under any circumstances the rates will not go beyond a certain point, and they would be able to make their calculations accordingly.

4662. I understand you would allow private individuals to conduct the same business in competition with the State?—Yes, there is no reason why they should not. You would not make the State insurance compulsory, but I think the State should be able to do it at lower rates than ordinary insurance companies, because there would be no margin of profit to provide for.

4663. Of course, if the State is to try to adjust its rates to the risk, even within the limits which you have laid down, it must have regard to the particular circumstances of the particular war, and of the particular time?—Quite so. You would have to charge a higher rate of premium if England were involved in a war against several Powers; it would be higher than in the event of a war against one European Power.

4664. It would be impossible to fix rates on that

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basis until the war actually broke out?—Until you saw what kind of a war it was going to be.

4665. And after it had broken out, if the Government found that they had miscalculated, that their expert advice was wrong, and that their rates were very markedly below the risk, would you raise them?—We say that the rates of premium should be varied from time to time according to the circumstances.

4666. In such a case as that would you allow them to raise the maximum?—No; once the maximum was fixed I would not alter it under any circumstances.

4667. What is your idea of the maximum? It is, I suppose, some rate which would not be prohibitive of commerce?—Quite so.

4668. Have you formed any idea of what that would be?—No, I have not. I am not an expert in insurance matters.

4669. It is rather a commercial matter than an insurance matter, is it not?—I would gain the opinion of insurance experts on that point as to what the maximum should be. If that maximum could be fixed, I think it would give great confidence to the commerical community at large.

4670. I suppose really the maximum charge that could be borne by trade would vary in different branches of trade?—Undoubtedly. There are a large number of articles, which could not be brought into play at all by a very heavy charge.

4671. Would you contemplate making a different maximum for different classes of cargo? To take two extreme instances, would you contemplate a higher maximum for, let me say diamonds, than you would for wheat?—No, I do not think I would differentiate.

4672. On the ground that it is not worth while; it makes it too complicated?—It makes it too complicated. The Government should be prepared to carry on such a business at a certain loss to the State, considering the advantages the State Guarantee would have for the large interests involved.

4673. That loss would fall upon the State, of course, at a moment when its expenditure was very high indeed?—Quite so.

4674. Would you recommend the Chancellor of the Exchequer to undertake that additional expenditure at such a time, without having made special provision for it beforehand?—Yes, I would. The war would be unforeseen to a certain extent. I would allow things to adjust themselves afterwards, or the Chancellor of the Exchequer could do the best he could later on.

4675. He would be increasing the burden of debt or the burden of taxation?—For the benefit of the community at large.

4676. But the community would be very unequally interested in the results of the guarantee, would it not?—Yes. It would be primarily for the benefit of the shipping community.

4677. And what do you say with regard to the other portions of the community, bankers for instance?—We say that the loss to the State should be minimised as far as possible, and if possible this business should be carried on without loss to the State, if it could be so worked.

4678. Subject always to the fact that if the actual losses are very large the State must be prepared to accept a premium that will be insufficient to cover them?—If necessary.

4679. That probably means that some loss, and possibly a considerable loss, might fall upon the State? We will say that some loss will very probably fall upon the State.

4680. I suggest a considerable loss, because the moment the State quoted much above the risks, the business would all go to the ordinary underwriter His rates would be lower than the State rates?—Yes. I should interfere as little as possible with the ordinary insurance business.

4681. So that they would get the pick of the business?—I think if the State charged very high premiums the whole of the business would go to the insurance companies. In that case there would be no loss to the State at all.

4682. Then there would be no advantage in the scheme?—I think it would be very desirable to have a State guarantee, because without it we might have very high rates of premium.

4683. Would you say, as the result of your experience of what you have seen of other countries at war, that underwriters have, as a matter of fact, charged on an average premiums more than sufficient to cover their losses?—That I could not say. I have no experience of what they have been in the habit of charging.

4684. It is a general impression, is it not, that they have not made a very good thing out of recent wars?—I think the insurance companies are very reasonable, but they have to protect themselves, and they have to quote rates giving a margin of profit. They cannot tell exactly what the margin of profit may be.

4685. You would hope that by a State guarantee commerce would gain something more than relief from the margin, which is profit?—Yes; I think it would add so much to the confidence of the mercantile community. It would facilitate trade to a very large extent to have this guarantee.

4686. And you do not think there would be any general disinclination on the part of other interests to contribute to this indemnity to shipping and cargo?—No, I think not, the general idea being that the loss to the State would be minimised as far as possible. I do not think there would be any outcry on the part of the general community.

4687. Other interests would be suffering very severely. I think it was a banker who suggested to us the other day that, for instance, his Consols might be very much depreciated by the outbreak of war?—That would mean tight money would drive the price of Consols down.

4688. Yes, and that he would not like to have an extra tax levied on him to recoup the shipowner, who was probably, in spite of everything, making a very handsome profit, just at the moment when he, the banker, was having a very anxious time, and suffering great loss for which he got no indemnity?—He would be probably looking to a higher rate of interest to help him.

4689. You think he would get home, too?—No doubt. He would not carry on his business at a loss.

4690. (*Mr. Llewellyn Smith.*) Do you contemplate that within the maximum fixed the State should do insurance business at lower rates if it found it profitable?—I think the State should do the business as cheaply as possible, and, if possible, with no loss to the State.

4691. Your first point, I think, was the advisability of fixing an absolute maximum, so as to give confidence?—Quite.

4692. As regards that maximum, you have not thought of the actual figure; but let us say, for the sake of argument, that it was 5 per cent; then insurance rates would never rise above 5 per cent.?—They should not.

4693. That being so, supposing 5 per cent. was fixed, could not all the risks lower than 5 per cent. be left to the ordinary underwriters?—Quite. You would not make State insurance compulsory.

4694. What would be the advantage of the State doing any business below the 5 per cent., assuming 5 was a good figure?—The idea is that the insurance companies would be inclined to charge excessive rates.

4695. But not above 5 per cent., you see, because it is limited to that?—Yes, the State would be limited to that 5 per cent. That would take the place of ordinary war risks. I say that the State would be able to work cheaper than the Insurance Companies.

4696. So that you would advocate them competing with the Insurance Companies even within that maximum?—I would not say competing with the Insurance Companies, but if the Insurance Companies like to work cheaper than the Government I should say let them do it.

4697. It has been suggested to us that it would be sufficient if the State fixed a maximum and was willing to take risks at that figure; that that would keep down insurance risks to that figure, and below that it might leave it to private enterprise?—I see no objection to that.

4698. The ground on which you would like to fix a maximum would be, in general terms, to give confidence to the commercial community. Do you anticipate that if there was no indemnity and no guarantee the ordinary insurance market would not be wide

enough to take the risks?—No, I do not say that. Of course, there would be a tremendous amount of business offered to the insurance companies, and they would have to quote rates of premium calculated to give them a margin of profit, and in the event of heavy losses they might charge rates which might prove to be prohibitive.

4699. But you do not anticipate in addition to that that the market might break down and be unable to afford insurance at any rates?—I could not go the length of saying that, because without a Government guarantee we would have to get on as best we could with the existing machinery.

4700. Or that bankers would be unwilling to recognise insurance policies as good security?—They would go on taking the insurance policies of good insurance companies up to a certain point.

4701. I did not know whether that was one of the things which you included when you spoke of commercial confidence?—I was speaking of commercial confidence as a whole, anyhow a State policy and a State guarantee would give great confidence and stability to the commercial community.

4702. (*Mr. Huth Jackson.*) You said that you represented the four Indian Banks; would you mind mentioning them?—The Hong Kong and Shanghai Bank, the Chartered Bank of India, Australia, and China, the National Bank of India, and the Mercantile Bank of India.

4703. I suppose it may be assumed that those four banks conduct the greater portion of the financial operations between India and the East and Great Britain?—Yes, they do the largest share of Indian and Far Eastern business.

4704. Can you give me any idea as to how much of the whole business is still financed through London?—You are taking the outward trade?

4705. The homeward trade from the East?—There is a very large proportion done by bills of exchange on London.

4706. Would you still say the largest proportion?—Yes, the largest proportion.

4707. I suppose a great portion of that is on account of Continental business?—A fair amount of that business represents Continental business.

4708. Of course, in time of war, provided those goods were neutral, Continental shipments would not be liable to the same risks as the goods that were coming to British ports?—Most of the goods would be in British bottoms.

4709. Is the greater portion of the trade in British bottoms?—I should say so.

4710. In time of war, I suppose I may take it that all the banks would require to be covered—that all bills of exchange and all documentary bills should have the war risk covered?—Yes, we should insist on that.

4711. That would be absolutely necessary?—A *sine qud non.*

4712. You do not see any reason for hesitation on the part of the bankers to accept ordinary insurance policies against war risks in time of war?—Without a national guarantee we should have to go on taking those policies, which we would do, so long as we were satisfied.

4713. Yes, but I suppose you can conceive a possibility, if there were some very heavy losses, that the banks at any rate might show a certain hesitation in taking these policies?—Yes, it is conceivable.

4714. And then I suppose the banks would not negotiate the bills at all?—The merchants would then have to give us other policies. There might be great difficulty in negotiating the bills of exchange.

4715. I suppose the banks would practically decline to take the bills at all?—It would be necessary to satisfy the banks. If the banks were not satisfied, they would not negotiate the bills.

4716. Then you would apply such a national guarantee to all cargoes in British ships?—Yes, everything.

4717. Whether with British-owned cargo or foreign-owned cargo?—Everything that was financed, say from the Far East or India, or outward from home in British bottoms. I should not be inclined to make any exceptions.

4718. You talk about an adequate premium. You conceive the idea that the State should in principle charge a premium which would pay its losses?—Which would cover any losses. We say that the loss to the State should be minimised as far as possible. It would be a good thing if the State could charge rates of premium just calculated to cover any losses, but you could not very well do that, and therefore we should say: Fix your rate of premium rather on the low side than the high side.

4719. And for the State to run the risk of that not being sufficient to cover the losses?—Yes; the business should be carried on at some loss if necessary, owing to the great advantage which this insurance scheme would give to the trading community in general.

4720. You do not contemplate that the State should ever refuse to accept a risk?—No, they should take risks without exception. There should be no limit.

4721. Subject, of course, to the Admiralty's prohibition of certain routes?—Yes, subject to Government conditions being complied with.

4722. Then do you contemplate that the State should issue a separate policy on each occasion to cover that risk?—Yes. We should want some document to show that the goods were insured against war risks.

4723. It would be rather difficult, would it not, in India and Australia, to provide you with a document?—I suppose the State would have agents empowered to give these war risks.

4724. So that if there is to be not only the machinery here in England, but also machinery in all the shipping ports in the East, it means a very extensive and expensive and complicated system of machinery, does it not?—I think the Government could work through agents. I dare say they could do it economically by way of commission.

4725. Still, it would be expensive and complicated, would it not?—I think things would settle down and work smoothly after a very short time. You could get experienced men to act on behalf of the Government.

4726. (*Mr. Beauchamp.*) Your chief reason for preferring Scheme B to Scheme A is that it is on business lines; is not that so?—Quite so.

4727. But it is to be more or less self-supporting?—We should say that the loss to the State should be minimised as far as possible.

4728. But still you would have a maximum premium beyond which the insurance rate should not go?—Yes.

4729. And that premium might be much less than would be necessary to cover the State against loss?—Yes. It might be found to be below the actual cost to the State. That would mean that the State had miscalculated the risk.

4730. If not, the only difference between the State insurance and the ordinary insurance would be the margin of profit exacted by the underwriter?—Yes; that is how it should be.

4731. And if the premium is not sufficient to guarantee the State against loss, then it would cease to be on business lines, I suppose?—No, it would be on business lines to a certain point; but the maximum that had been fixed would show that the State or its advisers had miscalculated that risk.

4732. It would fix the maximum premium at the outbreak of the war?—Yes, it would be highly desirable to do so, so as to give confidence to the trading community.

4733. Then the premium, when the loss exceeded that, would cease to be really on business lines; that is, when the number of losses exceeded the rate of premium, then it would cease to be conducted on business lines?—I rather put it that in that case the Government would have miscalculated the real risk, and that the maximum had not been fixed high enough.

4734. But the maximum is fixed so as to allow the trade to go on. That is the reason of the maximum being fixed, that the premium should not be such as to prevent the ordinary trade of the country being carried on?—We say that as far as possible this scheme should be carried out on business lines, and that the maximum rate should be fixed as a maximum likely to cover all reasonable risk. If it was found that this maximum did not cover the risk the loss would fall on the State, but it would be a matter rather of miscalculation.

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4735. If the calculation had been properly made, the only difference between the premium exacted by the State and the premium exacted by the ordinary underwriter would be the profit which the underwriters ought to get?—Quite so.

4736. It would be not a very considerable amount?—That is so.

4737. The difference on each premium would be very small, would it not, to allow for the underwritters' profit?—Yes, I suppose so.

4738. And therefore what great advantage would there be in having this national guarantee, instead of leaving it to the ordinary underwriter?—It is conceivable that without a State guarantee there might be very considerable difficulty in getting insurance in all cases against war risks. I do not think it is probable, but it is conceivable in the event of a very big European war.

4739. For what reason do you say that?—That the business might be so gigantic.

4740. The losses so great?—The war risks to be taken might be so very great.

4741. In individual amounts, do you mean?—The general trade altogether—the aggregate.

4742. Would it be greater than it is at the present moment?—You would have this war risk in addition to all the ordinary insurance. It would all be additional business to the insurance companies.

4743. Do you think that the ordinary insurance market would not be able to cope with that?—I do not say they would not be able to cope with it, but it is conceivable that there might be considerable difficulty in getting all the war risks you wanted covered. We say that if this guarantee is given it should be for war risks only, so that the business of the insurance companies should be interfered with as little as possible; that they should be allowed to carry on their ordinary insurance business.

4744. Scheme B would necessitate, of course, a central office?—Yes, that is so.

4745. And you think this national guarantee should be carried on all over the world, through agents—in Australia, we will say, and India, and so on?—Yes. I think there would be no difficulty in getting agents all over the world to act for the Government. I think those appointments would be sought after.

4746. The premium would have to be fixed at the central office, and the different agents would have to be advised?—Yes.

4747. And you do not see any difficulty on that ground?—No. I think the business would work smoothly after a very short time.

4748. In a very short time after the outbreak of war, but it would be in the early stages of the war when we should require this more than at any other time?—Business people soon settle down to the conditions to be complied with.

4749. Do you think it would be possible, directly after the outbreak of war, to get anybody to undertake to supervise this from amongst the experienced underwriters?—I think the Government should have all the materials cut and dried before the outbreak of war, and have agents appointed.

4750. Yes; but they would have to have somebody who would be able to estimate the different risks, if the premiums were to vary, and that would necessitate having somebody at the head of the office with great experience in insurance?—Yes, in London.

4751. Yes. Do you think, after the outbreak of war, you would be able to lay your hand upon and get that person, and take him away from his ordinary business?—I should say, if the Government does that on scheme B or any other scheme, they would make arrangements to have all machinery put in order before the outbreak of war, and they would appoint their agents to act for them all over the world. They would appoint Government agents before the actual outbreak of war.

4752. But would it not be directed from the central office in London?—Yes, the central office would be supreme.

4753. Would you contemplate having a permanent official in peace time at the head of the central office?—I should say that, if any scheme is adopted by the Government, a Government officer should be appointed to take charge of that class of business, and make arrangements to perfect the scheme.

4754. And then you would be obliged to find an experienced person?—Yes, and he would have to get expert advice.

4755. And in order to get a good man you would have to give him a good salary?—Certainly.

4756. He would have that salary during all the years of peace, and he would be carrying on practically no work until the war broke out?—Yes; but a few thousand pounds a year would not make much difference to a Government when there were millions and millions involved.

4757. Supposing we did not have scheme B, but scheme A, where the Government covered everything free of cost, would a notice to that effect be sufficient for the bankers, without having a separate document for each individual shipment?—Certainly, it would be sufficient, if it was clearly defined. If public notice was given that the Government covered all risks free of cost, we should then be satisfied with our ordinary insurance policy; we should not require any policy covering war risks.

4758. (*Sir James Mackay.*) That would be that, provided the master carried out the orders of the Admiralty, the ship would be covered?—Yes; but we say that innocent holders of bills of lading should not be affected in any way by any breach of conditions on the part of a shipowner or a master.

4759. I suppose your idea of a national guarantee is to permit of business being carried on in time of war as in time of peace?—With as little disturbance as possible.

4760. So that vessels might go on during war as they do during peace?—Quite so.

4761. But you would contemplate, of course, that to get the benefit of a national indemnity they would have to carry out the orders of the Admiralty?—Quite, so far as the shipowner was concerned, and if he committed any breach of conditions it would be his own look-out. He might be made to suffer for it, but the holders of bills of lading should not suffer.

4762. Then I suppose the Admiralty would be rather chary about allowing vessels to proceed, say, from Port Said, through the Mediterranean, if they were not pretty certain of getting through?—That would be dependent on the strength of the enemy.

4763. But the Admiralty would not be likely to allow a ship to leave Port Said for England if the Mediterranean was held by the enemy?—No, I suppose not.

4764. They would tell him to lie up at Port Said?—Or proceed round the Cape.

4765. To go back through the Canal, and go round the Cape?—Yes.

4766. That would not be allowing commerce to be carried on during war as during peace?—Of course, you would have to take all the circumstances into account. The Government would not be able to let vessels go through the Mediterranean if it was held so strongly by the enemy.

4767. Then what is the good of the indemnity? If you are only to be allowed to proceed when there is not much risk, is the indemnity very much good? Does it allow commerce to go on during war as during peace?—We say that the Government should allow trade to go on with as little disturbance as possible.

4768. Is not that only possible by having a Navy that is capable of keeping the seas clear?—I do not think the English Government could tie up steamers at Port Said and prevent steamers coming through the Mediterranean.

4769. Not if the Mediterranean was held by an enemy, and the Government were to be responsible if they allowed the ship through?—The English Government would have to accept some loss. There would be some risk in carrying on trade, naturally, during war time.

4770. It would be no use to let ships leave Port Said if they were likely to be eaten up by the enemy. It would be no advantage to British trade?—You are assuming great strength on the part of the enemy.

4771. I am assuming the Mediterranean is held by the enemy?—Then the only thing to do would be to send the ships round by the Cape.

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4772. Then I suppose they would have to take orders at the Cape again, would they not?—I suppose they would.

4773. As to whether it would be safe to come up the coast of Africa and through the Bay of Biscay?—I do not think people would wait for absolute safety.

4774. (*Sir George Clarke.*) You are convinced that it is necessary for the State to do something?—I think it would be highly desirable for the State to adopt this scheme. I cannot say that it is absolutely necessary, but I think it is a good scheme.

4775. But not an essential scheme?—I should not look upon it as an absolute necessity.

4776. Your view is that the steadying of the rates in time of war is the important question?—That is not the most important question. It would give great confidence and stability to the commercial community if there were this scheme.

4777. Would it satisfy you if a schedule of rates were fixed now for particular zones of the world, and it were known that from the moment war broke out, or even before war broke out, the State was ready to insure at those rates? Would that satisfy you?—Certainly.

4778. If a schedule were issued to-morrow, with certain fixed rates for war, would that meet your requirements?—Yes, we should be satisfied with that, so far as we were concerned; but the principal people would be the shipping people, and it would be a question of satisfying them.

4779. Of course, if that were done, there would be no necessity for any great office at all; it would be merely a fixed schedule with conditions laid down by the Admiralty attached, and policies with the necessary authority could be given by any insurance companies acting as agents?—Yes.

4780. That would simplify the whole situation?—Yes.

4781. And if the rates were drawn too high, the market would come in and take them, I suppose?—Or the Government could reduce their rates.

4782. But, anyhow, if the rates went above the market for the time, the insurance companies could come in?—The insurance companies could come in.

4783. On the other hand, if the rates were fixed below, the State would stand to lose something?—You are now taking the maximum. The rates could be varied from time to time within the maximum.

4784. But the great point would be that the maximum rates should be known to everybody in advance?—Certainly.

4785. I think you disagree with the view that the general financial disturbance which might happen in the event of a great war would be so great that these questions of insurance are quite a bagatelle in comparison?—I do not quite follow.

4786. It has been suggested to us that there would be such a tremendous financial disturbance in this country generally on the outbreak of a great war that such a question as the insurance of ships is a small one in comparison. Do you agree with that?—No, I think the insurance would be a big item.

4787. You think that in any case during a war the rise of insurance rates would have a very important bearing?—It would be a very considerable factor.

Admiral Sir Cyprian Bridge, G.C.B., called and examined.

Admiral Sir C. Bridge G.C.B.

Sir Cyprian Bridge, in a preliminary memorandum,* had submitted:—

(1) That the time during which our shipping will be exposed to risks directly or indirectly connected with a state of belligerency must be divided into:—

(*a*) The period of tension immediately preceding, and succeeding an outbreak of war.

(*b*) A further period starting on the close of the first, and lasting practically throughout the war.

(2) That a serious check to commerce before or after the outbreak of war may have irreparable consequences; and that the adoption of the arrangement known as National Guarantee may encourage our merchant ships to continue running.

(3) That consideration should be given to the inclusion of neutral-owned cargoes in British bottoms under a National Guarantee.

(4) That it is probable that during the second period mentioned above, no plan of protecting our ocean commerce would be worth its cost, except that of active Naval defence.

(5) That it is essential that provision should be made for the safe arrival of vessels carrying cargoes of food and raw materials, and for the safe conduct of those carrying our products to friendly countries.

(6) That no form of Government indemnity could have insured the arrival of merchant vessels at Port Arthur or Vladivostock, though at the same time ships arrived with but little interruption at Japanese ports, without any hope of indemnity or guarantee.

(7) That it would be fair for the State to exact some payment in return for an indemnity, and that each portion of the Empire should be responsible for the cost of indemnifying its own shipping and cargoes.

4788. (*Chairman.*) You have seen the reference to our Committee?—Yes.

4789. You gave evidence before Lord Balfour of Burleigh's Commission on Food Supply?—Yes.

4790. May I take it that substantially you have seen no reason to change the views that you expressed to that Commission?—Yes, I think so. There is one thing I should like to say, which did not happen to come within the scope of my examination before that Committee. I have endeavoured, in the précis of evidence which I propose to submit here, to direct attention to what I call the period of uncertainty. I do not think I was in any way given an opportunity of dealing with that in my evidence before the Commission.

4791. Will you give us your views on that?—The time during which our shipping will be exposed to risks directly or indirectly connected with a state of belligerency must be divided into at least two periods. The first will begin when the strain upon our relations with the future actual enemy or enemies has reached the point at which the outbreak of war may be regarded as nearly certain, and will end at the date—perhaps some four or five weeks later than the formal commencement of hostilities—on which the conditions dictating the necessary arrangements for the defence of our maritime commerce can be ascertained. The second period will start on the close of the first, and will last practically throughout the war. The first period will be one of uncertainty. I should like to interpolate here that this statement is made with full recollection of all the facilities of communication by telegraph, and all that sort of thing. The period of uncertainty will still exist, although it may be much reduced from what it would have been before there were steamers and telegraphs. It will not be known exactly when war will break out, and after the outbreak some time will be required to discover what the enemy's method of commerce-destroying is going to be. It is in this period that the rate of marine insurance, as we learn from experience, is pretty sure to rise, and it may rise to a figure high enough to cause a great increase in the cost of imported commodities, not to mention the effect on the exchange value of commodities for exportation. The more distant the port of departure from the destination of British ships the greater will be the risk to which they will be exposed. The case of steamers coming round the Horn, for instance, from New Zealand is a good illustration of the length of time as compared with a steamer coming from the Norwegian ports, for instance.

4792. Take the first case—of the steamer starting from New Zealand. A great part of its course might

* *Vide* note, p. iii.

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be quite outside the danger zone, might it not?—Yes, it might be. Of course, we have not gone into the case, yet at all events—I do make some allusion to it hereafter—of what preliminary distribution of intended commerce-destroying force the enemy may make. It is conceivable that they might have vessels ostensibly on a peaceful mission at Tahiti, or somewhere there.

4793. But it would not necessarily follow, would it, that the risk was proportionate to the length of the voyage?—No. You would have to take into consideration the area as regards the probability of assaults on our commerce within that area. All these matters, I may mention, are things which involve great variety of conditions. No satisfactory prognostication can be made unless every different condition is taken into consideration.

4794. And the results must vary with each different Power or combination of Powers with which we may be at war?—I think so.

4795. And with the view which is taken by that Power or Powers as to the best course to pursue?—Yes. The point I want to make in dealing with that period of uncertainty is this, that previous to the actual commencement of the war naval defence of commerce cannot operate, at any rate directly. "Shadowing" the future enemy's men-of-war before hostilities begin will do something, but probably not enough to keep down the rate of insurance. As soon as war has broken out direct naval defence becomes permissible, but it is likely to operate with imperfect effect until the enemy has been obliged to show his hand. We may, therefore, consider the whole of the so-called first period, or period of uncertainty, as virtually a time during which defence of maritime commerce by even the most efficient fleet cannot be expected to make itself much felt. Probably this is the primary cause of the rise in insurance rates, though those rates rise still higher in consequence of the action of speculation based on the apprehensions of shipowners and cargo shippers. A serious check to the activity of our merchant shipping immediately before and after the outbreak of a war may have irreparable consequences. Though I am convinced that the only way to ward off violent onslaughts on merchant shipping is to use at least equal violence against its assailants, I can see that, in the period of uncertainty when the onslaughts and the acts of repelling them are only likely, some administrative measure may be indispensable. The object will be to encourage our merchant ships to continue running, and especially to get the food and raw material which we cannot do without safe into our ports. Adoption of the arrangement known as the national guarantee may be the right measure. It is, as regards the period of uncertainty, a matter on which, in my belief, the opinion of a naval officer, as such, is of little importance. I am glad, sir, that you gave me an opportunity of explaining that at length, because it did not come within the scope of my examination before Lord Balfour's Commission.

4796. I would like to ask you a question in reference to that before we go further. What are the kind of evil consequences that you spoke of just now? Is it the interruption of our food supplies, or is it the permanent destruction of our mercantile marine?—I meant more immediately the introduction of a general apprehension as to the possibility of our mercantile marine continuing to run successfully during the war. There would be quite likely within that period a shock given to the confidence of everybody who was concerned in shipping in the power of that shipping to continue running, which, if it went very far, would be extremely disastrous. It would knock our shipping out altogether, so to speak.

4797. You would anticipate, I gather, that the time during which we should be exposed to that shock, assuming that our naval defences were in proper condition, would be a limited one?—Yes, it would be a limited one; but the period of uncertainty before the war may last for some month or two, or, at all events, a time which is relatively large when you take into consideration the length of steamers' voyages.

4798. The fear of being caught at sea, and in a dangerous place, at the outbreak of war?—Yes, that is it—when the outbreak comes, the immediate date of which nobody can tell.

4799. The first result of that fear would be to raise freights, would it not?—I should think very much.

4800. And to raise the price of imported commodities?—Through the action of the insurance.

4801. But not alone through that, would it? The insurance would add an additional factor, but the uncertainty of arrival would cause the price of the produce to rise?—That is the point upon which I really hardly venture to have an opinion, but it does seem to me that the actual price of the commodity would not be much affected by that—that there would be the natural desire of the shipowner to secure himself against eventual loss by charging a higher rate than usual, and the rise in insurance. I do not know that my opinion is worth much on that point, but that is what seems to me, as a pure outsider.

4802. After all, the determining factor in the price of the commodity must be the supply which comes to hand?—Yes.

4803. If there were any shortage in the supply landed in this country prices would go up?—Yes; but I am assuming that there will be a probable rise of freights, and an almost certain rise of insurance during that time when there may be no actual attack on the commerce at all, viz., the period of uncertainty; so that the quantity of commodities coming into the market—take the market of the United Kingdom, for instance—will not be affected. It is more a mental than an actual thing—the apprehensions of the shipowner as to the safety of his ship, and of the people who insure as to what they will have to pay in case of loss, will make a double rise, and that may affect the price of commodities.

4804. You are now speaking of the period before the outbreak of war?—Yes.

4805. Then, taking the period immediately following the outbreak of war, which is also included in your period of uncertainty before the enemy has shown his hand, there, in addition to the factors which prevailed before the outbreak of war, there would be the additional factor of the amount of seizures effected by the enemy?—Quite so. I lump those two sub-periods, so to speak, into one, as the period of uncertainty, for this reason—that it is during that time that naval defence either cannot operate at all, or can only operate very imperfectly.

4806. You assume that the Admiralty would be attempting to protect commerce during the period immediately following the outbreak of war?—Yes. I think it is probable—it certainly would be right—that efforts would be made to indirectly protect it even before, by what I call the "shadowing" of the hostile cruisers.

4807. And that it would not be necessary at the outbreak of war that all ships should be withdrawn from the specific work of commerce protection to the work of watching the enemy's main squadron?—My view is that it would not be desirable to withdraw the whole of them—as you cannot prevent the escape of individual hostile ships. There were some very conspicuous instances of that during the Russian war of 1854-56. I suppose there never was a more complete and unchallenged command of the sea than France and England on the one side held against Russia on the other. In spite of that there were two or three Russian cruisers that did get out—they were out before the war. The "Aurora" and "Diana," I think, and they were out in the Far East. One of them was lost afterwards in an earthquake in Japan. They did not do very much. They did nothing, in fact, because we had ships, as it happened, in that part of the world before the war, and they were looking after their own safety instead of trying to destroy our mercantile marine.

4808. In your opinion, we must have some force detailed to deal with cases of that kind?—Yes, that is my opinion. I think that the above particular instance is one which is worth dwelling upon, because if we had not had a force out there they would have had our then rising maritime commerce in the Far East at their mercy.

4809. Then may I ask you to continue the evidence suggested in your précis?—By no means the whole of the shipping under our flag is engaged in conveying food-stuffs and the raw material of our manufactures to the United Kingdom, or in carrying our home products abroad. In war British ships would cease to visit our enemies' ports; but, as there is a practical certainty that some States would remain neutral, our

shipping—of course, if adequately defended—could continue to ply between the respective ports of the States in question. There is no reason why the conveyance of commodities from Brazil to Chili, for instance, should not continue to go on in British ships, cargoes being owned by Brazilians, and return cargoes owned by Chilians. Often enough the cargoes would not be British owned, though the ships carrying them would be. If we assume that the national guarantee will cover the ships, but not the neutral owned cargoes, it is improbable that our shipping engaged in this particular trade would be much benefited, because foreign shippers would choose for the conveyance of their goods neutral vessels not liable to capture. This is a point which seems to deserve full consideration.

4810. Have you considered whether, if our shipping were withdrawn from such trade as that, there is sufficient neutral shipping to take it?—I think there might be sufficient neutral shipping to take that part of the trade, or at all events a considerable part of it. Where the neutral shipping would, I am satisfied, be incapable of taking up extra work, would be in the work done by the ships of the respective belligerents to the countries of the two belligerent sides. If there were a war between France and Germany, for instance, no French ships would go to a German port, and no German ships would go to a French port. If you put the British Mercantile Marine in the place of that of one of those two countries, as it is on a very much greater scale, no neutral Power would be able to take that up in addition to its own work. Of that I am satisfied. That is a question of arithmetic, I think. But between neutrals like, say, Siam and China, there is a considerable rice trade, and I think that might be taken up by some of the neutral States, or at all events a great deal of it, if we could not do it.

4811. Then we come to your second period?—Hostilities, yes. When, after the outbreak of hostilities, a sufficient time has elapsed to allow of the formation of a fairly accurate conception of the enemy's methods, it will probably be found that no plan of defending our ocean commerce will be worth its cost except that of active naval defence.

4812. By the plan of defending you mean such a plan as one of these schemes of guarantee or insurance?—Yes. What we must do, or else give up the struggle, is to get food-bringing and raw material-bringing vessels into our ports, and provide for the safety of those carrying our products to friendly countries. I am obliged to confess that I cannot see how any system of Government insurance or of national guarantee will make these things certain, or even help much towards making them certain. The attack on an enemy's maritime commerce is a branch of naval warfare, and I am quite unable to understand how you can make war without fighting. Fundamentally, the proposal to introduce the national guarantee is based on the hope that, by administrative arrangements, and not force, you will be able to prevent your enemy from carrying out his intentions. It was quite plain during no inconsiderable part of the recent Russo-Japanese war that no conceivable Government indemnity or national guarantee would have ensured the arrival of a store-bringing vessel at Port Arthur or Vladivostock. At the same time, vessels arrived with out little interruption at Japanese ports, without any hope of indemnity or guarantee.

4813. That is rather the point that I put to you earlier, that what you want to secure is that the vessels shall arrive; it is not sufficient merely to encourage them to sail?—Yes, it is absolutely indispensable. It is like a besieged fortress; if you do not get the supplies in, the fortress must surrender.

4814. There has been a fear expressed by some of the witnesses who have been before us that, owing to the risk of loss, and the high premiums charged, vessels might be laid up or transferred to a foreign flag. Do you think there would be much risk or possibility of transferring British vessels to a foreign flag?—There are two very serious obstacles in the way of that, one of which would probably be prohibitive. The first is the internal legislation of the different countries to which it might be proposed to transfer the ships. It is a thing that cannot be carried out very rapidly; unless nearly all the neutral Powers were to suddenly introduce legislation in a very short time to alter their present laws, the transfer would not be practicable. It is very difficult to conceive a sufficient rapidity of legislation in those countries to make any real difference. The second obstacle is that, if the neutral to whom the ships were transferred was not powerful on the sea, no really strong belligerent would acknowledge the transfer. The belligerents would say: "These are bogus transfers, and we do not intend to acknowledge them." What could Belgium do, for instance, or Portugal, or Greece, in those cases? So that I do not regard with any very serious apprehension that question of transfer. Of course, a powerful neutral—for example, the United States—if it chose to permit the transfer, would be able to insist upon the transfer being respected by the belligerent. It is quite powerful enough to do it. We should be, if we were neutral. But it is a thing that must be done immediately; it must be a question of hours, not of weeks. I do not think I am exaggerating when I say that if it was not done in seventy-two or eighty-four hours, or something of that sort, it would not have much effect.

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4815. You anticipate, I think, from the evidence that you gave before the Royal Commission, that there would be a great Government demand made upon the mercantile marine on the outbreak of war, or just before it?—Yes, I think it would be very large indeed. Of course, we have got a very large mercantile marine to draw upon, and there would be a great many vessels which would be out of employment. But when I was out in the Far East, during the early part of the war between Russia and Japan, the Japanese Government made an enormous demand upon their mercantile marine, both absolutely and relatively. They virtually absorbed the whole of it at first; their figures ran into many thousands of tons. I do not know that we could not do that in case of war with a big naval power, and satisfy our demands out of the unemployed shipping that was directly unemployed owing to war.

4816. Of course, in so far as the Government demands afforded employment to the unemployed marine, they would remove all temptations to transfer, or to lay the ships up?—Yes, certainly.

4817. Would the demand be very large for strictly naval purposes apart from the possibility of a military expedition being at some point contemplated?—Yes, absolutely without reference to the numbers of merchant steamers, very large indeed. The mere coal would take many thousands of tons. I should think you may say that, roughly, a single battleship will require quite 2,000 tons of coal a month in war. It is safe to allow for that. That is, supposing that she is at sea, going at a fairly high speed, on 20 days of the month, and that she is 10 days in harbour, and still burning coal then and keeping her fires all ready, I am inclined to think that 2,000 tons a month is not an outside figure. It would not be safe to allow much less than that.

4818. (*Sir James Mackay.*) What will she burn a day?—I am allowing about 100 tons a day for all purposes when she is at sea. That may be a little outside, but you do not know when you may have to proceed at very high speed indeed. But if she were going about 12 knots, allowing for occasional bursts of high speed, I do not think 100 tons a day too much.

4819. No; I should have thought it was rather under, if anything?—I do not think it is at all too much. Perhaps the 20 days at sea out of the month is an excessive estimate, but it is a safe one, I think.

4820. (*Chairman.*) And besides coal there would be considerable amounts of other stores?—Yes, a great deal of other stores.

4821. And I suppose some ships require to be taken up as auxiliary, apart from store ships?—There is fresh water. My impression is they would have to follow the fleets about with fresh water for their boilers. That is a large item. I had calculated it all out, and I am sorry I have not got the figures here, for the fleet I commanded in China. They were big, decidedly, and I think we should not have been safe with much less. Then there are other stores; there are provisions.

4822. Ammunition?—Ammunition. That is a very uncertain quantity, but you would have to have it.

4823. I may summarise your view, may I not, as being that it is only in the first period, which you have denominated the period of uncertainty, that you think the scheme of indemnity would be any advantage at all?—That is my opinion; but I would like to add there is not much harm in it if it does not divert the public from the real, true way of defending their commerce afterwards. I do not think

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it would operate. I think when you began to defend your mercantile marine (which has been done over and over again, and certainly is not an impossibility) it would not operate. If people had to pay for it they would not do it.

4824. And you would deprecate in the strongest possible way anything that taught people, or tempted people, to believe that they could be protected in any way except by a strong Navy properly used?—That is my belief.

4825. (*Sir George Clarke.*) I think that you feel that we must not contemplate a sudden stoppage of trade either just before or just after the outbreak of war?—No, I think that we ought not to contemplate it.

4826. That is a thing we cannot contemplate with equanimity?—Certainly we ought not.

4827. But it is at that early period that the scares to the shipping community would be most likely to arise?—Yes, exactly.

4828. And that is the real justification of any system of national insurance?—That appears so to me.

4829. The only sound justification?—Yes.

4830. It is to be an antidote to panic among the shipowning and ship-using community, not in any sense an additional protection to trade?—Exactly.

4831. You spoke of Port Arthur and Vladivostock in the late war. We may take it that those were practically blockaded ports, not technically, but practically?—Practically, yes.

4832. And also that the Japanese lay straight between those ports and the outside world?—Yes.

4833. So that that case was geographically and in every respect exceptional?—Yes.

4834. We cannot argue from that to anything that could happen in the restriction of the use of our own ports?—Except, I think, that we might argue to this extent, that the object of commerce-destroying as against this country is to make the British Isles a blockaded area. How near they can get to that, of course, is uncertain, and depends upon our own Navy. But commerce-destroying, as directed against the British Empire, would aim at a complete blockade of the British Isles, as complete as that of Vladivostock. So that, although I cannot dispute what you say, and I quite agree that the Vladivostock and Port Arthur cases were exceptional, they are exceptional more in degree than in the enemy's intention.

4835. But as regards the facilities offered to the enemy, the case is exceptional?—Yes.

4836. The difficulties would be enormously great in imposing anything like a real blockade on our coasts?—Yes, certainly. Our geographical position helps us, as you suggested.

4837. Then if a guarantee were a good thing merely to prevent panics and to prevent stoppage of ships running by reason of inflated insurance, do you think the adoption of such a guarantee by the State would have any tendency to cause us to neglect or to starve the Navy?—I can only say I hope it will not. I do not quite see that it should; but, to prevent its being so, I think it should always be carefully pointed out that this guarantee is not meant to supersede or take the place of any properly-directed naval defence.

4838. I take it, if there is any chance of that sort of thing arising you would much rather have nothing at all; anything would be better than a system which seemed to justify people in reducing the strength of the Navy?—I think so. At the same time, I am confronted with the condition that during that period which I have called the period of uncertainty naval defence cannot operate, or it can operate only imperfectly.

4839. And it is in that period that the moral support of a system of insurance might be beneficial?—Yes, but if not accompanied by a proper explanation it might be likely to have the mischievous effect of encouraging people to reduce their Navy.

4840. I rather gather that you consider that the Admiralty ought to take direct steps for the protection of trade apart from any operations it might have to carry out against the enemy's battle fleet?—My impression is that the Admiralty exists for that purpose; that we should never go to war, either aggressively or defensively, for any purpose really but protecting our trade

4841. And, of course, the operations to be carried out might be said to be twofold, one to restrain the enemy's battle fleet and the other to protect commerce, and I gather you think that though the first is essential the second should not be neglected?—That is exactly what I think.

4842. And if we were at war with a Power whose battle fleet was considerably inferior to our own, we ought to have a considerable margin of strength to devote to the direct protection of commerce?—That is my belief.

4843. From your historical studies generally, do you think it is easier to protect commerce now than it was in the sailing days?—I am inclined to think that it is easier; easier for us at all events.

4844. So that we probably need not expect a higher annual percentage of captures than occurred in the French wars?—No, I should not think so.

4845. Have you ever heard of the idea of using the mercantile marine as a bait to lure out the enemy's fleet to its destruction?—No, I cannot say that I have.

4846. That was not considered at the Admiralty in your days?—No, I think it seemed, as far as I have studied that question, to be more likely that the pressure of public opinion in the belligerent country would force its fleet to go to sea and do something than that the fleet would be lured by any bait of that kind.

4847. Do you think that much can be done by careful prearrangements made at the Admiralty for giving the earliest directions and instructions to shipping in different parts of the world?—Yes, I think a good deal can be done in that way. Of course, it must not be the only arrangement; it must be accompanied by others.

4848. But do you think that arrangements of that kind ought to be made in time of peace?—Yes, provided that they are not made too definite and precise. A sort of general arrangement should be made, I think, for each area.

4849. In any case you think that the Admiralty ought to have a definite policy as regards the protection of commerce?—I must say I think so. I cannot conceive what it exists for otherwise. The Empire depends upon its maritime position, and I presume the Admiralty exists primarily to defend the maritime position on which the Empire depends. The freedom of our commerce on the sea is a very essential element in that matter.

4850. Of course, that might be regarded as the passive aspect of the protection of commerce as opposed to the active aspect, and you think that both must be carried on simultaneously?—I think so.

4851. That is to say, you must be prepared to attack, and you must also be ready to oppose commerce-destroying in all parts of the world?—Yes. I believe that in all cases of what you might call strategic arrangement in time of peace, both by land and sea, what has to be defended has got to be considered as well as the power of the force that is likely to be brought against it. For example, we talk about the north-west frontier of India, and the defence of various outlying parts of the British Empire. When we multiply them or increase their importance, I think they do affect the arrangements for defence. The principal thing is the power of the assailant, but these also enter into it to some extent, I take it.

4852. So that where there is a very great volume of trade to be attacked, you think it is not sufficient merely to provide proportionately to the strength of an enemy's fleet, but that there should be a margin having regard to the density of the volume of trade?—Yes, I think so. I would draw a sort of parallel between that and the Metropolitan Police Force. That increases with the area of valuable property which would be more or less at the mercy of the burglars if there were not proper Police arrangements made to meet them. I do not think the Police Force entirely depends on the number of probable burglars; it depends on their number and activity, and also on the amount to be protected.

4853. If the number of people who went out with a large quantity of cash in their pockets were largely increased, that would be a completion of the parallel, would it not?—Yes.

4854. (*Sir James Mackay.*) I think you say that you do not expect to see many vessels transferred to neutral

flags in the event of our going to war?—No, I think that is the case, but I should like to point out specially that I do not expect to see many transferred quickly.

4855. I suppose it would be just as difficult for the neutral, in the event of our losing command of the seas, to get to this country as it would for one of our own ships?—That is my belief.

4856. Therefore, there would be no great object in transferring British ships to neutral flags in order to carry on trade to this country?—No, not in order to carry on trade to this country.

4857. (*Mr. Beauchamp.*) I think everybody will admit that no scheme of national insurance could insure our supplies coming to this country, but the object of any system of insurance primarily would be to keep down the premiums of insurance?—Yes.

4858. And, as such a scheme, it would be defensible, you think?—Yes.

4859. Especially that would be the case during the period of which you have spoken as the period of uncertainty?—Yes.

4860. But during that period of uncertainty not only would the insurance world be in a state of apprehension and hesitancy, but throughout the business world that feeling would prevail, and business would be a great deal handicapped and confined during that period of uncertainty. It would not go on as before?—I am quite prepared to take it from you that it would be so. I believe it would be so, but, of course, my opinion on that is not worth much; I do not speak as an expert on that matter at all.

4861. But it is reasonable to assume that it would not only be the insurance world that would be in that state of uncertainty and hesitancy, but all throughout the whole business world would be the same?—Yes.

4862. A good deal of doubt at present exists, I believe, as to whether any country would directly go to the attacking of our commerce, because it is considered to be strategically unsound. That seems to be the prevalent idea at the present moment, and therefore we need not fear it so much. Do you agree with that view?—I agree with it to this extent, that if you base your war policy, so to speak, or your strategy, on the destruction of your enemy's commerce, you are making a mistake. But it is one of the things that does help to injure an enemy, therefore if you make it a subsidiary element of your strategy I do not think it is unsound. In the case of the United Kingdom, which is different from that of any other country, there is a greater justification for attacking our commerce than that of the commerce of other nations, because the object of the war would be to enclose you in a blockaded area—a blockaded fortress, if you like to so call it—and if your supplies could be cut off the fortress would fall, and the blockaded area would have to surrender. It is very unlikely that any foreign navy would be able to do that, but it would help to make us very uncomfortable. They would get to some extent a run for their money if they did it. There would be very great temptation on their part to do it. It would undoubtedly injure us to some extent.

4863. Therefore, although it might be generally considered to be strategically unsound, it might be the wisest thing on the part of any enemy of ours to go directly to attack our commerce, because it is our most valuable point?—Yes, I think it would be. I think that if they made it a reasonably subordinate element in their strategy they would be right in adopting it.

4864. Then I think you said it might be that a good many vessels of our enemy might have got away previous to the outbreak of war, and gone out to rather distant ports in order to attack our commerce?—It is not very easy to understand why certain nations have outlying fortified ports unless they have got some idea of that kind.

4865. Do you think there would be much difficulty on the part of those vessels being able to coal, so as to keep the sea?—Yes. I think after a certain time, if we make the proper arrangements, their difficulties would be very great indeed. They would very likely have a fairly good time in the beginning.

4866. Would there be any country other than France able very successfully to attack our commerce, do you think?—There is no doubt that the geographical position of France and certain of her outlying ports is superior to that of any other foreign country. Of course, the United States, with regard to the other side of the Atlantic and part of the Pacific, are geographically favourably situated from a strategical point of view for the same purpose.

4867. Of course, the United States would be able to operate very successfully on the Pacific coast against us?—Yes.

4868. But that would not prevent our receiving our supplies on this side. Do you think the United States would be able to interfere very effectively against our being able to get our supplies to this country?—Of course, they would not have much call to do it, because if they were at war with us an immense amount of our supplies would *ipso facto* stop; what comes from them would stop; but they would be able to operate with immense advantage against the line from Canada to this country, for instance.

4869. (*Chairman.*) Would they be equally favourably suited for dealing with the Argentina trade?—Not equally, but they would not be very unfavourably situated, at all events as to anything that comes from that side of the Atlantic.

4870. (*Mr. Beauchamp.*) Then, with the exception of fast vessels being able to get away from German ports before the outbreak of war, do you think we need have very much fear of any attack by Germany upon our commerce; do you think she would be able effectively to attack it?—Of course, there is our trade with Sweden.

4871. But, apart from the Baltic, and part of the North Sea. She would not be able to attack the commerce from India, Australia, the United States, or Canada?—No. The difficulties in her case as regards those trades would be very great indeed.

4872. Practically the only nation which could really do us very much harm would be France?—The nation that could do us the most harm, I think, would be France. I do not know whether it is a proper thing to introduce into this inquiry, but possible future territorial rearrangements in the Adriatic might have a considerable effect on our Eastern trade through the Mediterranean.

4873. You think it would be necessary for us, during the period of uncertainty and apprehension, as far as possible to shadow anything which might attack our commerce?—Yes, that is my opinion.

4874. That necessitates a very large number of cruisers, I suppose?—Yes, a large number, at all events.

4875. I do not know whether I am right in putting the question to you at the present moment, but do you think that we have a sufficient number of cruisers for that purpose?—I have thought on that point, but, of course, I should like to refresh my memory with statistics of our own and other countries before I answered that question definitely. I could give a general answer to your question, I think, in this way, and say that the number of cruisers that we ought to have is a very important element.

4876. (*Mr. Huth Jackson.*) I understand, in dividing the time of war into two periods, you intend to indicate that the risks to our merchant shipping during those two periods are different?—Yes, different.

4877. And that the second period is a period which no prevision can possibly be made for. It must depend on the results achieved in the first period?—You could make this provision. I think the question which was asked just now would relate to that. Your cruiser force would be a provision for the second period.

4878. That would be for the first period, would it not?—No. During the first period my belief is that naval protection will not operate. It cannot operate until the war begins, except very indirectly by shadowing. After the war has begun, during what I consider a sort of sub-period of the period of uncertainty, it will only operate imperfectly, because we must ascertain what the enemy's methods are going to be.

4879. And it is during that first period that you think the dangers to merchant shipping might be very serious indeed?—I think it is not the actual danger so much as the apprehension of it which might possibly lead to a laying up of the ships, and it would be extremely difficult to regain our position after that, and it is in that period that I think the indemnity would perhaps help to keep things right.

Admiral Sir C. Bridge, G.C.B.

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4880. Would it be your idea to limit the indemnity to any period, or to have it spread, if it is to be given at all, over the whole period of the war?—Of course, holding the views that I do, I do not think it is very important. I think that, if people have to pay for the indemnity, when they find that the Navy is defending their commerce properly they will simply give up paying the extra sum. If we make the arrangements which we must make, or else be defeated in war, we must defend our commerce so effectively that it will gradually be borne in on the minds of all people concerned in the shipping trade that they really need not pay the extra money.

4881. Then, if you had any system of insurance, you would have a system of insurance under scheme B—that is, with a payment—with the idea that the advantage is only to be practically taken up during the first of the two periods you mentioned?—Yes, that is my belief, and I may mention why I do believe it—because in all the previous wars the insurance rates went up in the earlier part. When the Government through the Navy did get properly to work the rates went down. In the American War of Independence they never did get properly to work, and therefore the rates did not go down. But in the last great war it went down, and remained very little above the normal, I think; and, curiously enough, that was so in those trades which passed close to the enemy's ports, showing the belief, which was justified by the result, in the efficacy of the naval defence.

4882. Then you would include in that indemnity vessels trading between two neutral ports, and not coming to this country at all?—I did not know what the proposal would be. I think you would have to extend it to British ships, at all events.

4883. British ships, wherever they are?—Wherever they are, otherwise you would make a very invidious distinction, so to speak. But whether it would have any effect if you did not extend it to the cargoes which would not be British-owned, I could not say.

4884. Would your inclination be to extend it to cargoes in British ships, irrespective of their ownership?—That is a thing I really hardly know.

4885. It has been suggested to us that it should be only applied to vessels coming to or going from this country. That, however, you would not limit it to?—No, I think not. I think it would defeat itself almost, if you did that.

4886. (*Chairman.*) I think, in your evidence before the Royal Commission, you hazarded an estimate of the probable percentage of loss in a serious naval war?—Yes.

4887. You put it at 5 per cent.?—Yes.

4888. Is that 5 per cent. per annum?—Yes, 5 per cent. per annum. My calculations, if I remember right, really came out about 4 per cent., but I thought it was perhaps safer to give a somewhat higher figure. Captain Mahan, if my recollection is correct, put it about 2½ per cent., and the conclusion I came to was that perhaps his percentage was a little low.

4889. That was a percentage of what the loss had actually been?—Yes.

4890. Was your 5 per cent. the same?—Yes; my 5 per cent. was based on the loss of the previous wars. I am sorry to say I cannot remember the details of the calculation, but I did arrive at somewhere about 4 per cent., and, to be on the safe side, I put it in my evidence about 5.

4891. That was after making allowances for what you pointed out to the Royal Commission—that a good number of the so-called captures of that time were really arranged surrenders or sales?—Yes. If there were to be a chart of the world prepared, and every capture of every ship recorded on that, you would be astonished at the proportion which took place in the English Channel. That is a place which we certainly ought to have been able to defend, and facts have come out since that there were arranged transfers Apparently, although I do not know that there is any black-and-white evidence for it, our Government were aware of it, and did not try to stop it. It was said by Frenchman that Napoleon's army was shod with shoes made in England.

4892. Do you think you can draw any very safe inference from the rate of loss under the circumstances at the beginning of last century to what the rate of loss would be under the circumstances of to-day?—I think it ought to be done with very great discretion. As I said just now, in all these matters, when you begin to study them closely, you find yourself brought up against innumerable conditions which had not occurred to you before, and the only way to come to any satisfactory conclusion on the part of those who have to do the work is to take all those conditions into consideration.

4893. And, at the same time, to bear in mind that the best results at which you can arrive will be very speculative?—Yes, quite so.

4894. Do you happen to remember whether in your estimate you included the coasting trade, and trade between England and Ireland?—The coasting trade on the south coast was certainly included.

4895. Probably, then, all the trade was?—I think all the trade was included.

TWENTY-THIRD DAY.

Tuesday, 30th July 1907.

PRESENT:

The Right Hon. AUSTEN CHAMBERLAIN, M.P. (*Chairman*).

Sir GEORGE SYDENHAM CLARKE, G.C.M.G.
Sir GEORGE H. MURRAY, K.C.B.
Mr. H. LLEWELLYN SMITH, C.B.
Mr. EDWARD BEAUCHAMP, M.P.
Mr. HENRY NEVILLE GLADSTONE.
Mr. FREDERICK HUTH JACKSON.
Mr. GEORGE H. DUCKWORTH (*Secretary*).

Mr. JOHN ST. LOE STRACHEY, called and examined.

Mr. J. St. L. Strachey.
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Mr. Strachey, in a preliminary memorandum,* had submitted:—

(1) That it is of vital importance that during war, as during peace, the freest possible access and exit shall be secured to those who desire to import or export food and other merchandise.

(2) That it is within the power of the Government to assimilate the conditions under which commerce is carried on during war to those which prevail in peace:—

(a) By maintaining command of the sea.

(b) By undertaking to make good any losses which owners of ships and cargoes may sustain by running their ships and embarking their cargoes as freely during war as in peace.

(3) That it would repay the Government to guarantee immunity from pecuniary loss, because it is the fear of destruction, rather than the actual destruction, of ships and cargoes that has to be dreaded from the public point of view.

(4) That heavy rates of war insurance on British shipping would result from this fear, and would severely handicap British trade in neutral markets.

(5) That to prevent fraud the State should only undertake war risks where the owners had insured against ordinary sea risks, and only for the amount insured against sea risks.

(6) That in case of dispute the policy should be adjudicated upon exactly as it would be in peace time between owners and insurers, the Government being in the position of the defendants.

4896. (*Chairman.*) You have seen the reference to the Committee, I think?—Yes.

4897. And I think you have also seen the evidence that was given on the same subject before the Royal Commission on the Supply of Food and Raw Material in Time of War?—I have read that, but it was some time ago, and I have not refreshed my memory with it. It was three years ago, I think. I read it at the time, and I am afraid that only a general view of it remains.

4898. Will you give us generally your views on the subject?—I should like to preface them, please, by saying that I cannot claim in any sense to be an expert. I am merely giving the baldest pious opinion of a journalist looking at the thing purely from the public point of view. That led me, as it must have led a great many people, to the belief that our position would be strengthened, and commercial risks would be minimised, if in some way or other we could make the shipowner and the trader each feel that war need not be a cause of panic to him, and need not be a cause of putting him at a great disadvantage as compared with his foreign competitors. I can really best express my feeling by saying that what one wants to do is to try and assimilate, as far as one can, war conditions to peace conditions. Roughly, let the Government say to the shipowner and the merchant, "You can go ahead in war time just as in peace time, and we will see you through—first of all by our naval strength, and secondly by indemnifying you against war risks in such a way that you shall not be handicapped by having to pay very large amounts—or, indeed, any amount, large or small—for what may be called the reverse of a bounty on your trade."

4899. For what would be a penalty charge, in other words?—Yes, a penalty which acts as it were like bounties to foreign shipping and to foreign merchants. The Government would go on, "We want to put you in exactly the same position as your rivals are, and we do that by saying that we take upon ourselves any *bonâ fide* war risks; and we guarantee you not merely by means of the Navy to keep the seas open for you, but if you have any loss we will indemnify you for that loss."

4900. You want to avert a panic?—Yes.

4901. No doubt some panic might be caused by fears which had no real foundation in fact, but such fears would be quickly over, would they not?—They might be; but as they would have something substantial behind them, they might do a great deal of damage even in a short period of time.

4902. The serious cause of damage or danger would be actual seizures, would it not?—It would be; but I put it that there must be a certain number of seizures. Therefore it becomes what I should call an inverted gamble. People are not playing for a benefit, but they are, as it were, playing to avoid a risk. No man knows on whom the risk may fall. There will be only a certain amount of captures, but every man thinks they may fall upon him.

4903. The general experience of war is that prices rise all round, is it not?—I presume so.

4904. Not merely insurance rates, but freights rise, and the prices of commodities rise?—Yes.

4905. Owing to that uncertainty?—Yes. You mean, of course, everything connected with seaborne commodities; on an island, everything connected with commerce comes in or goes out by sea.

4906. In the first place, I am confining myself to direct seaborne commerce?—Everything that comes in or goes out must be affected. That would mean a great

* *Vide* note p. iii.

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deal, because it would be governed by the fact that this is an Island State, and the war premiums would come into play at once. For instance, take a case like Fashoda. What was the war risk that the people had to pay in the case of the Fashoda scare? I have heard it stated that it was something like a 30 per cent. increase.

4907. What I was rather pointing to was that it seemed to me that the premiums hold a very small place among the different disturbing factors that would be at work?—I see the point.

4908. Part of your commercial ships may be taken up for warlike purposes, and part of your trade must, in any case, be stopped for a time, because it is a trade with the belligerent or belligerents, the nation or nations with whom you are at war. There must be, therefore, in the direct seaborne commerce, a great disturbance owing to those circumstances; and to the abstraction of ships from their usual employment by the military and naval authorities, and to other ships being thrown in to compete by being turned out of the trade in which they have hitherto been engaged?—Yes.

4909. In addition to that, the panic would not be confined to what was going on at sea, would it?—No.

4910. And you might have a great disturbance in the London money market?—Yes.

4911. Even amounting to a panic? Sir Robert Giffen, I think it was, suggested to us that the first thing which would bring clearly home to us that we were engaged in a great European war would be that our bankers would be unable to cash our cheques?—I quite realise that, but then my answer would be, I think, "At any rate let us withdraw one element of panic and of the exaggeration of prices." If there is one that we can withdraw, let us withdraw that; even if it is not entirely effectual, it will have done something. For instance, if I might employ a metaphor:—Suppose there was a bridge which suddenly became very dangerous. Suppose also that it was necessary to get things into a town across that bridge, and that the difficulty was to get people to risk their lives in going over or to risk their carts and horses. It would certainly increase the chance of getting the city supplied if you were to say, "Well, if your horses and carts fall in, we will at any rate see you harmless."

4912. The offer of a guarantee would certainly cause more ships to start upon their voyages?—Yes.

4913. But it would not necessarily cause more to arrive?—No; but then we are arguing on the assumption that the amount of captures—and I think that is the experience, is it not, of history?—is not so very large as compared with the effect of the risk of capture. The actual number of captures was not so large, even in the case of the "Alabama"; it was more a case of panic caused by the "Alabama" than of the actual number of ships she took.

4914. Are you suggesting that it was mainly the "Alabama" which destroyed the American marine?—No, I would not say that, because I know there were other causes as well. I was thinking of it only as an example; but the captures of the "Alabama" did have a great panic effect on American shipping.

4915. No doubt; and you would eliminate panic as far as you could?—Exactly. I would say we cannot control all the causes of the rise in prices, but those we can get rid of we will. If the sea risks were eliminated by Government action that would tend, at any rate, in the right direction.

4916. Your view being, I gather, that it is rather the fear of loss than the actual amount of the loss that would probably be sustained which is the serious factor?—Exactly. It is A's fear that the loss will fall upon him.

4917. It is the fear of each individual?—Yes, that the loss will fall upon him.

4918. And though the loss in the aggregate is not large, it may fall upon him, and will be very large if it falls upon him?—Yes. There will be no general average in his case; he will have to bear it all.

4919. Supposing nothing is done, do you anticipate that as a result of those fears premiums will be very high?—Exactly.

4920. What do you expect to be the result of that? Some witnesses have argued in favour of a scheme of this kind on the ground that otherwise there would be a tendency to transfer shipping to a foreign flag. Other witnesses have come before us who have argued that it would tend to keep the prices of commodities nearer their normal level. Which of the two arguments is it that commends this scheme to you?—I should hardly like to venture to express an opinion as to the transfer to foreign flags. Clearly there is a very technical question there. I do not know whether the difficulties are very great, or whether they are small. I know it is always said popularly that it would happen, and that it will not be an unpermanent transfer, with transfers back when the war is over; but that, once being transferred, ships will tend to remain under the foreign flag. I could not venture to express an opinion on that supposition. On the other point I think it is a matter of common sense that if a large extra premium has to be paid, it must act like an increase of freight. Supposing it was 30 per cent.—but I think you said that was very much too large; but even if it was 10 per cent., it would be a disadvantage to the shipowner and to the merchant.

4921. In giving the guarantee you would make no distinction between different kinds of cargo, I suppose?—I should have thought not. I think it would be very difficult to discriminate.

4922. You have seen both the draft schemes that we have sketched out, I believe?—Yes.

4923. Which of them do you prefer?—I very much prefer A as the simpler.

4924. That is the scheme for the free grant of indemnity?—Yes. It really endorses every policy, does it not, with a Government war policy?

4925. Do you contemplate that it would be necessary for the Government to make an actual endorsement?—It would not matter; except that they would want the shipowner and the owner of the cargo to come before them in some way, and give proof that they had insured against the ordinary perils of the sea.

4926. Would you insist that the shipowner should be insured against ordinary perils?—I think he should either insure or have some scheme for insuring himself. I fancy the great companies insure themselves, do they not?

4927. Yes?—Of course you could not exclude them, because of that; but they would have to give evidence that they were in effect either insuring themselves or had insured outside, because otherwise, after the cargo and the ship had perished, it would be very difficult to know what the value was.

4928. Would you do that then with a view to taking the value insured against for the marine risk as being the value which you would pay in case of a war loss?—Yes, so as to prevent an unlimited liability.

4929. That would have a tendency, would it not, in regard to the ships at any rate, to make the value rather high?—I suppose it would; but then that would have to be controlled. At present there is a limit to it, and a man does not care to over-insure his ship. As he would have to pay the premium on that, I think that would prevent him.

4930. But inasmuch as there would be no premium for the war risk, would you not say that the greater the war peril, the greater the temptation to over-insure?—Yes. It would not be a complete check, I quite admit, and I presume that it would only be a guarantee of indemnity. The Government would still have it open to them to show that the man had over-insured. It would not be a wager with him, of course.

4931. Have you considered at all—perhaps not—how that would affect commercial transactions and the whole credit system on which our oversea commerce depends?—No, I am afraid I have not considered that.

4932. The cargoes are nearly always financed by bankers or others, are they not?—Yes.

4933. Who have as their security the bills of lading and the correlative insurance policies?—Yes. Do you mean that this would have a tendency to inflation?

4934. If you allowed the Government to re-open the policy after the loss, the banker or the bill discounter might hesitate to accept the bills. He might say, "I no longer know where I stand; as long as it was merely a marine risk, I had a policy and I knew that I was covered up to the extent of that policy; but now there is the war risk as well, and you say that if the Government department, after the loss is made, is dissatisfied, it may re-open the policy; in that case, I no longer know whether I am covered or not"?—Even in the

present case it can be re-opened, can it not, in the case of fraud?

4935. Yes, in the case of fraud, but that is a rare case?—I should suggest that the Government would only protect themselves as the present insurer protects himself.

4936. I should think you might take it that they would be almost always bound to do so. Would you have the claim as against the Government decided by a Court of Reference, or would you leave the dissatisfied party to the ordinary remedy in the Courts?—I should prefer the latter. That would seem the simpler process, but of course the Government might not think that was wise.

4937. Your whole object in fact would be, as I think you said at the beginning, to assimilate the war conditions to the peace conditions as far as possible?—Yes.

4938. And to encourage the commercial classes to go ahead with their commercial operations just as if we were not engaged in war?—Yes. You should keep the sea roads open as far as possible, and brush away every obstacle you could.

4939. Supposing the other belligerent were intending to prey seriously upon our commerce, there might be moments and particular places where it was not desirable to have a great mass of our commerce afloat?—That would be so.

4940. Where, in fact, to tempt your own commerce out would merely be to afford a fat harvest to your opponent?—Yes.

4941. Do you think that could be met by general Admiralty regulations?—I should have thought it could. We are assuming, and I think we ought to assume, that you have secured the command of the sea, and that it is only a sort of piratical power that would remain in the hands of your enemy. He is only preying upon your commerce with a few ships, but he has not secured the command of the sea. If you have lost the command of the sea, then I think the offer of a guarantee of this kind would be too great an obligation for the nation to assume.

4942. I quite agree; I am assuming throughout that we have command of the sea?—Then I would run the risk, because I cannot imagine that it would be so very great if we really commanded the sea. One would not want to deflect the Admiralty policy by commercial considerations, but still, if they had got command of the sea, and they had found there were places where a great deal of shipping was attracted, they would surely be able to put enough cruisers on them to prevent anything except occasional damage.

4943. But when all is said and done, there must be considerable losses?—Yes.

4944. I do not suppose you have formed any estimate really that you would care to give to the Committee of what the losses would be?—No; I feel that to be impossible.

4945. And I do not think any other of our witnesses have cared to pin themselves. But though the losses might be, and probably would be, a very small proportion of the whole, they would aggregate to a very considerable amount, would they not?—They would, I should imagine, but then it would be a small total compared to the war expenditure as a whole.

4946. You would not be afraid of the Chancellor of the Exchequer adding this to his other burdens at such a time?—No. It is a dangerous line to take, but I think it would be small compared with the enormous cost of the war; it would only be a small percentage of that, and it would be very much less than the general damage done by the dread of capture.

4947. And you do not think it would be necessary for them to make any special financial provision beforehand to meet it?—I should not have thought so. There again, one must be speaking in the dark. I do not know what the total loss caused by the "Alabama" and other cruisers were.

4948. (*Mr. Beauchamp.*) We paid three millions?—I know we paid three millions for that.

4949. (*Chairman.*) And they experienced a difficulty in finding the people to divide it amongst?—That is so; but that would be a very insignificant amount compared with what I am afraid the war expenditure would be.

4950. I should imagine that our losses must be larger?—Yes, they would be, of course.

4951. (*Sir George Murray.*) I think I gathered that in your view there would in any case be a considerable rise of prices on the outbreak of war, whether there is an indemnity or no indemnity?—I rather accepted that from the Chairman, but a condition of war always seems to tend to put up all prices except stocks, I suppose.

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4952. And that rise would be due to some extent, probably to a large extent, to real causes such as shortness of freight?—Yes.

4953. And one of those real causes would be any actual loss by capture?—Yes; or the fear of it.

4954. I was coming to that. Then in addition there would be a rise you think due to purely sentimental causes—the fear of more captures than actually take place?—Yes; or rather I should like to put it, please, the fear on the part of A B. that it would fall upon A.B.'s shoulders and not upon somebody else. It is just the reverse of the gambler's hope; a gambler hopes that he will be the man for whom the lucky number will turn up, and so in this case each shipowner would imagine that he would be the man who would be unlucky.

4955. Still, whatever rise does occur in that way you would say would be due to pure sentiment and not to any real cause at all?—I would not say pure sentiment; but it would be largely based upon, I would not say sentiment exactly, but men's natural cowardice—natural desire not to run a risk, natural fear of risk.

4956. Let me put it in another way: the level of prices would depend very largely upon the supply, and of course upon the demand?—Yes.

4957. The supply would not be affected by fear of capture at all; it would only be affected by the actual losses incurred?—Is that so? The risks may prevent people from sending out their shipping—perhaps very stupidly—when they ought perhaps to run the risk. But if a man in a panic at the beginning of a war locks up his ships that will affect the supply, because there will be fewer carriers on the road, and so fewer goods could come in.

4958. There might be a shortage of supply due to that cause, you think?—Yes.

4959. Should we be doing any more by an indemnity scheme than eliminating what I call the sentimental rise of prices, or such part of it as is due to an unwillingness to engage in trade at all?—No, I suppose we should not.

4960. Then the question arises whether it is worth while, in order to eliminate what I call the sentimental part of the rise, to embark upon such a very large measure as a scheme of indemnity would be; I gather that you think it is worth while?—Yes. My inclination would be to think it is. I do not know whether I attribute undue importance to the sentimental view, but it seems to me that traders and all persons dealing with a risk in money are very much affected by those considerations, at any rate to begin with. I suppose that people might get accustomed to the risk and write it off, as it were, and say "Well, the amount of capture is not very great, and we will run the risk." But at first, with an unknown amount of risk, they would tend to exaggerate it very much.

4961. That would probably last for a very short time, would it not?—It might; but still a good deal of damage might be done. Wars we rather presume will last for a short time, and I expect they will not be very long; but a great deal of damage might be done in six months or three months, and I should think there would certainly have to be six months of war before people would get accustomed to the sense of the war risk.

4962. And a great deal of real damage, you think, would be done?—A good deal of damage would be done by what you term the sentimental risk.

4963. The people would very soon find out, would they not, how much of the risk was sentimental and how much was real; the rise of prices would probably tempt them to come in, and it might correct itself in that way?—Yes; but still they would always have this extra war premium to pay against their rivals. They would surely think it worth while to insure, and they would always insure against the war risk, I suppose.

4964. But then the risk might be a diminishing one?—Yes, it might be.

4965. It might be very small after a little time?—I can hardly imagine an insurance company or Lloyd's

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saying "The risk is so small that we practically need not charge you any extra premium." They would always want an extra premium.

4966. (*Sir George Clarke.*) In your *précis* you say that it should be within the power of the Government to assimilate the conditions of commence in war to those of peace; but you realise that in any case there would have to be delays and deflections of commerce, which would, to a considerable extent, alter those conditions?—Yes.

4967. That would be inevitable?—Yes.

4968. You have told us that you think freights would rise in war?—Yes, I presume so.

4969. Even if prices did not?—I should hope that in the case of a national guarantee freights would not rise so very much, unless the Government had taken up a very large amount of shipping. That would really depend, would it not, on the nature of the war?

4970. We have been told generally by our witnesses, and they have agreed, that there would be practically a rise in freights; but that it does not follow that prices would rise in war, except in the cases of those commodities the production of which was stopped or checked by the operations of the war. Do you agree in that view?—I speak with great diffidence, but I cannot quite understand, if freights rise, and rise considerably, why prices should not rise. Surely, to take an extreme case, if freights were doubled, as it would then cost double to bring the goods to this country, that must affect the price?

4971. That would be the price of delivery, but not the actual price of the commodity; that would be the price affected merely by the difference in the cost of transit, and not the actual price of the commodity?—Still, that would affect the price to the consumer here.

4972. Yes, it would, as far as we are concerned. Then the case for national insurance would be strongest, of course, in a war with a naval power?—Yes.

4973. And that power would also probably be a large commercial power?—Yes.

4974. The two generally go hand-in-hand, so that the cessation of the enemy's commerce which we may presume, and the probable large demand for taking up transport for naval and military purposes here, might produce an increased demand for the use of British shipping?—Yes.

4975. Then the neutral ship, which was carrying what might be classed as contraband, would also have to pay a war insurance?—You are meaning that most things would be declared to be contraband, presumably?

4976. That is possible, and that has been rather our experience in the late war. In the late war the neutral ships were insured rather heavily, I believe?—Yes.

4977. And that we must expect in the future, it seems to me, unless some general arrangement as regards contraband is arrived at at The Hague, which does not seem very likely; so that the neutral would probably have to bear the weight of a war insurance?—Yes, presumably.

4978. Therefore it amounts to this, that the conditions of war and peace in actual fact, whatever we do, must differ very considerably?—Yes.

4979. If the ship and the cargo were insured against all losses, it is possible they might find themselves in a rather more favourable position in war than in peace, is it not?—Yes.

4980. If that were the case, would it not be reasonable that they should contribute something to the purchase of their State guarantee?—Yes, I can assume that; but, of course, if you make them pay, unless you can absolutely adjust it, you still may be putting a handicap on them, may you not?

4981. It would be a question of degree in that case?—Yes.

4982. But it would not be unreasonable to expect that they should pay something?—If they were making something.

4983. Is it not possible that they might be able to pay rates which, at all events, were considerably above the normal premiums for marine risks?—Yes, I presume that might be so. But that would have to be a matter of experience, would it not? As the Government would only do this by grace and favour, if they found that the shipowners or the merchants were making too much, they could re-adjust that by some form of taxation.

4984. I gather that your main point is that it would be the fear of destruction, rather than the actual destruction of shipping itself, that would be the main factor in war?—Yes.

4985. And that it is probable that fear would operate most powerfully at the outset of war, before the general conditions and the general action of the Navy were understood?—Yes.

4986. Would not the effect of a free indemnity to the shipping interest—for which, of course, they would have to pay nothing whatever—be to inflate values, and rather to encourage fraud?—There would be that risk, no doubt; but I should have thought that might be guarded against.

4987. There would be more tendency to exaggerate if the indemnity was absolutely free than if something was paid for it?—Yes. If somebody promises to give one a free fire insurance of one's house, one's tendency would be to state the value as high as possible.

4988. Might it not be regarded by all the other interests affected by war as rather an inequitable thing that one set of interests should be apparently completely protected, and all the others should suffer?—I would meet that by saying that the supreme thing is to keep the ocean roads open in every respect.

4989. Do you think that argument would satisfy the general public as to the justice of the proceeding?—I do not know that. There is not any class, is there, that would be able to say they were so little affected by seaborne commerce that they were being very much damnified by the war risks, and yet they were getting nothing?

4990. I suppose there is no class in this country that would not suffer, and no interests that would not suffer severely, directly or indirectly, in the case of a great war?—Yes, but would they not mostly suffer like, say, the cotton trade in Lancashire, from want of access, want of cotton coming in, and from the risk to the piece-goods going out?

4991. Would it meet your views if the State offered insurance at fixed maximum rates, varying in certain zones and voyages, so that the ship and cargo owners would know at once the utmost that would be demanded of them for war insurance?—I should think that would meet it to a certain extent, but I should have thought that if the Government was going as far as that it would be simpler to assume the whole risk. Of course, your suggestion would be very much better than nothing.

4992. If that were done, then, if the State rates were fixed too high, of course the underwriters would take all the business and it would go on as usual?—Yes.

4993. On the other hand, if the State rates were fixed too low, and the captures were more than the general estimate on which they were based, the State would stand to lose?—Yes.

4994. But not very much? That would meet your fear of the effect of a panic, would it not?—To some extent.

4995. To a very great extent?—Yes, to a considerable extent.

4996. And it would put the shipowner and the cargo owner in a much better position, because they would know their maximum liabilities?—Yes.

4997. Then directly a period of panic and alarm had passed away the rates would drop and would gradually extinguish themselves automatically?—Yes.

4998. Do you not think that would be an advantage?—I think that would be; but at the beginning of the war the shipowner, at any rate under that scheme, would not feel so secure as he would be if the Government were going to indemnify him in any case. I am speaking now of the non-fraudulent shipowner, the *bonâ fide* shipowner.

4999. He would not feel as secure, you say?—At any rate he would be handicapped a little.

5000. He would be handicapped a little, but you have rather conceded that his conditions might be such that he could probably afford to pay the maximum rate fixed by the State?—Yes; I have assumed, for the purpose of argument, that he could. That really turns on the question of contraband, does it not?

5001. (*Mr. Beauchamp.*) You said you thought there would be a sentimental rise in price, and that each

individual would think that he would be the one to bear the loss?—Yes.

5002. If he can cover that risk by insurance there would be no fear of that, would there?—I rather adopted the word "sentimental" from Sir George Murray. Though he could insure against that, he would have to pay a higher price than he now does, would he not? Therefore he would be handicapped to a certain extent. Sir George Clarke met my point on that by saying that he would not be handicapped against his foreign rival, because the foreign rival would probably be paying also; but I was assuming that the foreign rival would not pay—that only the Englishman would.

5003. The individual shipowner would not really suffer—I mean he would not anticipate that he was to be the one going to suffer and his neighbour not, would he?—Because he had insured?

5004. Yes?—But in doing so he would have to pay. It would be a different risk than he has now, and he would have to pay a larger premium than he does now.

5005. Possibly he would pay a larger premium?—Therefore to that extent he would be handicapped. Say that The Hague alters the present law as to contraband, he might be in a position of having to pay 10 per cent. more than the foreign trader, and that 10 per cent. would be a very serious handicap.

5006. I think you said it was essential to any scheme of this kind that we should have command of the sea?—Yes, I think so; otherwise the risk would be too great for the Government to undertake.

5007. If we lost the command of the sea would you withdraw the guarantee?—I do not like to contemplate that at all. You would have to reconsider it, of course.

5008. If you withdrew it, you would be destroying confidence at the very time you wanted it most?—Yes. I can understand, as a desperate war measure, the Government facing the risk and doing everything to attract cargoes in and out of the country. Even if we had lost the command of the sea temporarily, we had better put down our last shilling in keeping the ocean roads open.

5009. Then would it not be better to wait till we had lost command of the sea before we adopted any scheme of this kind?—No, I do not think so. I could not contemplate our losing command of the sea, but even if we maintained the command of the sea we might at the same time, owing to panic or panic conditions, have given a very serious handicap in the wrong direction to our commerce.

5010. But so long as we have the command of the sea, you do not anticipate that there will be very heavy losses?—Not very heavy losses, but there might be a very heavy panic.

5011. Which would still subside?—Probably, but it would subside, let us say, in a 10 per cent. handicap against the English shipowner.

5012. (*Mr. Huth Jackson.*) You referred to the disturbances of prices in time of war; that would be to a large extent of universal application, would it not; that is to say, it would apply to the goods and shipping of every country and of every trade?—I presume so.

5013. What you particularly desire to arrive at, I take it, is to remove from British shipping the disadvantage which it would labour under as compared with neutral ships?—Yes.

5014. For that purpose you propose to give them a free indemnity without payment on the part of the ship or the cargo?—Yes. The Government in fact would say, "It is our business to see that the war does not make any panic applicable to you at all, and that the war does not increase your cost of carrying on your business."

5015. Would you give that indemnity to all the cargo in British ships, whether the cargo was neutral-owned or British-owned?—Yes, I should be inclined to.

5016. Might I for one moment imagine two vessels in New York Harbour—a neutral vessel and a British vessel. The neutral ship would have to pay some war risk premium, I take it?—I think it would, but that would depend, would it not, upon the law of contraband. I should not like to express a definite opinion.

5017. I think you may take it that would be so; even in peace time there is always a premium on the war risk—even at the present moment?—Do you mean to say that a man if he only insures against ordinary perils of the sea pays so much, and if he insures against war risks, even in profound peace, he pays a little more?

5018. Yes. Therefore if you gave a free indemnity to British ships, and those two ships were in New York harbour, you would be giving a distinct bonus to the British ship as against the neutral ship?—Yes, I suppose you would.

5019. Do you think the British nation and the British Parliament would sanction such a thing as giving a bonus to a shipowner like that?—I think under those conditions they would, though perhaps theoretically they should not give it. I used to be inclined to think you should give it to all the world—that you should say to anybody who does any trade with us, "We will give you an indemnity if you are taking goods away from Britain, or if you are bringing them in." I think that might be an advantage, but you would not have the same control over foreigners in your Courts, and so you could not have the same means of preventing fraud. Therefore I am afraid you must limit it to the British shipping.

5020. But you still think that in spite of its being a bonus it ought to be given?—I think so in time of war, because I think that the danger is so great, and the benefit also is so great, of keeping your ocean roads open.

5021. Would you be content if the scheme only removed the penalty or disadvantage attached to the ship?—Yes, I should be quite content if that could be really removed, so that the British shipowner would not be handicapped in any way. All I want to do is to assimilate the war conditions to the peace conditions.

5022. To assimilate the war conditions to the peace conditions, you only require to put the British ship on the same level as the other?—That I admit.

5023. You do not really want to give him a bonus?—No. My objection to the partial payment under Scheme B is that it would be so difficult to find out what that was. What I want to do is for the Government to leave him harmless, so that war shall not increase his charges.

5024. If a scheme could be formulated which would remove the disability without giving the bonus, you would prefer it?—I should prefer that, because I do not want to give a bonus.

5025. (*Mr. Llewellyn Smith.*) In a question by Sir George Murray, it was suggested to you that even if the risk of capture was wholly covered by indemnity, still the prices would tend to be forced up through the actual losses, because they would diminish the supply available, and thus would increase prices. I think you agreed to that?—If I may say so, I should agree scientifically, of course; if there is any diminution of supply I am bound to hold that such diminution must tend to increase prices.

5026. I was going to ask you whether, on reconsideration, you would not somewhat modify your acceptance of that, so far as regards what would happen in the long run. Is it so evident that it would force up prices? May I put to you a case? Take a cargo of corn destined for this country and captured, and suppose that it is not sunk, but is taken into the enemy's port and sold; would it not still form part of the world's supply of corn?—Presumably.

5027. It would not come to us?—No

5028. But it would set free other corn which might come to us?—Yes.

5029. Apart from the increased cost of carriage would that operate on the world's supply, and therefore force up prices?—No, not in that case.

5030. If, on the other hand, the corn was sunk, of course, that would make so much diminution, not in our supply only, but in the world's supply generally?—Yes.

5031. Not in ours more than anybody else's?—No; but, for what it is worth, it is a diminution.

5032. Which will force up the world's price of corn?—Yes, as far as it goes.

5033. But it would not operate specially to make a difference in price in this country as compared with other countries?—No, except so far as it represented our share of the world's diminution.

5034. Exactly—which would be a very small thing, of course?—Yes.

5035. The capture of that cargo would be operating on the whole supply of the world?—Yes.

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5036. So that really, in the long run, and apart from what has been called the "panic rise," or the "sentimental rise," the special rise in the price of corn in this country would be governed by the rise in freights, and nothing more?—Presumably, unless you can imagine a great destruction of corn, which is almost unimaginable—a sinking of millions of quarters of grain, which is not likely.

5037. But still, that would affect other countries as much as ourselves?—Yes, it would, and we should share in the loss.

5038. (*Chairman.*) Nothing has been said to you so far about the crews or about the masters of ships. Do you think there would be any danger that a guarantee would make the master less alert to escape the enemy, and less willing perhaps to take risks that he would otherwise take?—I have tried to think of myself. I say again that I speak with the greatest possible diffidence, as no expert. I was thinking of it the other night, and wondering whether the fact of my own house being well insured really made me more careless in case of fire, or made my servants more careless. It is very difficult to tell, but I do not think one's servants, because they know one is insured, say, "It does not matter," and leave the lighted lamps about, and so on.

5039. No; but are the cases quite parallel? Take the master of a vessel which has been sighted by an enemy, and the question is whether he shall run from her with a chance of having a shot put through him and being sunk there and then, with the loss of himself and his crew, or whether he shall surrender. Would not the fact that his owners were fully guaranteed possibly turn the balance and decide him in favour of the safer course?—I should think it would, if we are contemplating uninsured ships on the ocean; but my idea would be that no ship would go out uninsured; it would either be lying up, or else it would be insured privately at a great cost. The master of the ship would not differentiate between a loss that would fall on Lloyd's and a loss that would fall on the Government. So that influence would be the same whether you had a Government guarantee or not, would it not?

5040. I am not quite sure?—We are not contemplating any ships going about the ocean uninsured. They would be insured at Lloyd's. Of course, it is a very difficult point.

5041. There is one other point I was going to put to you. There will be a considerable disturbance in the mercantile marine whenever we go to war, on account of new risks which seamen undertake, will there not?—Why new risks?

5042. Because to their ordinary marine perils which they are accustomed to risk they will add all the war perils, which are very different things?—Yes.

5043. I do not know whether you saw a case reported in this morning's papers of certain seamen who were going out to Hong Kong, and were informed that they were expected to go to Sasebo in the late war; the courts have decided that they had a perfect right to refuse to go?—No, I did not see that. My answer to your question would be that I can only eliminate certain unfavourable influences from among the influences which tend to interfere with commerce. But because there are other unfavourable influences, such as a man's fear for his own skin, which you cannot eliminate, there is no reason why you should not get rid of as many unfavourable influences as possible.

ABSTRACT OF EVIDENCE.

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COMMITTEE ON NATIONAL GUARANTEE FOR WAR RISK OF SHIPPING.

ANGIER, Sir THEODORE, Shipowner. (Qs. 694-844)

I.

DESIRABILITY OF STATE GUARANTEE.

(1) Because in no other way can a real indemnity be obtained. (2) Because the Mercantile Marine is of the first importance to the maintenance of the Empire. (Q. 697.) No purely naval protection would be sufficient. (Q. 698.)

MUTUAL INSURANCE AND INDEMNITY.

The first conference between mutual indemnity and protecting clubs was held in 1904. (Q. 704.) "We got, as we thought, the best men possible, the indemnity and protecting associations, which practically include nearly the whole of the British tonnage one way or another . . . . . to thresh the whole thing out. From the beginning we always approached the question with how much it would cost us privately. . . . . We first tried to see if we could find out a peace premium, such a premium that when war came there would be a fund to pay losses out of. Then we found that came to a very big figure, and of course we were hampered by a limited capital, because, even taking up the whole of what we could compass in our clubs, altogether something like £100,000,000, it came to too heavy a premium. Then we thought the best way would be to have the peace premium as low as possible, supplemented by an increased rate as soon as war broke out. But on all the points, when we came to look into it, we always came to grief on the question of the capital indemnity. . . . . First of all, the capital was always too small, and then the means of collecting the mutual contributions was impracticable." (Qs. 706-9.) Besides, a policy which contemplates an increased premium in time of war is liable to the higher stamp duty even in time of peace. (Q. 712.) In mutual insurance a fund is not levied. When a loss occurs a call is made, and the loss is distributed pro râta on the capital. (Qs. 714-15.) The percentage of shipping covered was about 30 per cent. of the total shipping of the country. (Qs. 744-5.) The conclusion was that when it had been considered how much money could be collected, it was insufficient to cover the possible, or even probable, losses. (Qs. 747-8.)

TRANSFERS.

Where the risks of capture are great, owners, as during the Franco-German war, would adopt a sort of temporary sale or transference to a neutral flag. "Money passed, cheques were exchanged, so that it meant a sale, but the idea was that they would be retransferred afterwards." In most cases they were not retransferred, as the owners were glad to get rid of them. In some cases law suits ensued. (Qs. 699-702.)

SHIPPING IN WAR TIME.

The depredations of a cruiser are limited, as "she is entirely bound by her bunkers. She could do a certain amount for, say, a week or a fortnight, with the biggest, and then it is all over. She has to go to rebunker; she is then going into the jaws of capture nearly always. On the whole, I certainly think that we should be very much surprised at the comparatively small losses we should suffer; they would be sharp and short." (Q. 800.)

RUSSO-JAPANESE WAR.

"There was a contract I had in partnership with a Russian friend to send out 50,000 tons of coal towards the end of the war. The only way we could get the ships was to give them a policy of insurance of a certain value; roughly, it was the ship's market value of the day, and we had to pay for that policy 30 guineas per cent." (Q. 762.) Coal being double contraband, contraband in itself, and going to a blockaded port—Vladivostock. (Qs. 763-4.) "We wanted at all risks" to continue the voyage on the off chance of one or two ships getting in, but the underwriters came in, and bargained with the owner not to go on. "So that they really deprived the Russian Government of the off chance" of some of those ships getting in. (Q. 765.) The risks on Japanese goods began at 5s. per cent., and never went higher than 30s. to 42s. per cent. (Q. 767.)

II.

NATIONAL INSURANCE.

The question is to arrive at the reasonable premium to be levied in order approximately to cover the losses. (Q. 718.) The risks for the State to insure against are Lloyd's free from capture and seizure clause. (Q. 719.) "Like all underwriting, it would be a bet. The Government would back peace . . . . . and the owner would back war, and then you have to get at the price." (Q. 728.)

NATIONAL INSURANCE PREMIUM.

Ships might pay 5s. per cent. Though "I would not like the 5s. rate tacked on to my name." (Q. 780.) Payment would be compulsory upon shipowners. (Q. 729.) Ships are worth from £30 a ton to £7 or £8 a ton for tramps. Eighteen million tons of shipping on the British register at £10 a ton would amount to £180,000,000 (Q. 779), which would produce £450,000 a year. (Qs. 796-8.) The Government would be put in funds, without reckoning interest, to the extent of something over £11,000,000 after a peace lasting 25 years. (Q. 799.) There should be a provision for power to the Government to charge so much extra in time of war, and a clause for surrender value. (Q. 736.) There should be a common rate for every class of ship (Q. 749), whether fast or slow, if entitled to fly the British flag. (Q. 821.)

III.—CONDITIONS.

VALUES.

There are three ways for valuing: (1) Giving the shipowner free option as to price. (2) Fixing the value for the indemnity as the value of the all risk policy that the owner was running the year before the war broke out. (3) Basing the indemnity on the value paid by the shipowner for his ship, less a reduction. (Q. 790.) The tendency would be for the man not to over-value, unless he felt certain of war coming on (Q. 784.)

ONLY SHIPS TO BE COVERED.

There is no necessity to touch merchandise. (Q. 758.) "When the goods come in, after they have paid the underwriters' insurance, the Government might subscribe so much to the price. It seems a simpler way to me. It is a most intricate thing if you start on such an indemnity for goods; you could not possibly apply this peace premium to it." (Q. 759.)

SETTLEMENT OF CLAIMS.

Prompt settlement is an absolute necessity. (Q. 755.) It could be managed by a board consisting of a couple of shipowners, a couple of underwriters, and one average adjuster. (Q. 751.) Payment should be made when shipowners suffer loss by detention owing to compliance with the orders of the Government. (Q. 731.)

BALFOUR of BURLEIGH, The Right Hon. Lord, Chairman of the late Royal Commission on Food Supplies in Time of War. (Qs. 1-67.)

I.

VIEW OF THE ROYAL COMMISSION.

The Commission were favourable to the idea that the State should undertake to make good to shipowners and traders losses incurred to the shipping by the enemy in time of war. All signed the main Report, and even the minority conclude their own reservations with an emphatic recommendation for the appointment of a Committee to consider a scheme in detail. Such objections as there were were mainly directed to the practicability of any scheme. (Qs. 4-6.)

The question of insurance or indemnity came primarily before the Commission as a means of securing our supplies and avoiding fluctuations. (Q. 15.)

Some scheme is primarily desirable in order to get rid of difficulties owing to changes in naval warfare. The Navy will now endeavour to protect shipping, not by convoys, but by bottling up the hostile navy in its own ports. (Q. 7.)

"I think the practically uniform opinion of the shipowning community is that if there is no convoy and no indemnity, the temptation to lay up the ships and keep them here will be very great, which would then cause an economic rise in the price of freights." (Q. 10.)

PRICES IN WAR TIME.

The economic rise is to be distinguished from the panic rise. Some suggest that the price of corn would go up to 80s. or 200s. a quarter. "I think it is absurd to say that wheat could remain at anything like 50s., 60s., 70s. or 80s. a quarter here when it was at 30s. on the Continent a few hours distant, and we have ports all round the country to which things would be brought." "I do not believe you can blockade these islands." (Q. 14.)

TRANSFERS TO A NEUTRAL FLAG.

"I am a profound disbeliever in the effective transfer of shipping from our flag to another. . . . I do not believe it can be done in a hurry. I do not think that the prize courts of other countries would be easily induced to accept a transfer . . . and I doubt very much whether capital could be got to insure that it was really paid for, and I do not see how delivery could be given when ships are all over the world." Professor Holland thinks that it is not a danger which need be seriously apprehended. The loss of American shipping was as much due to the fact that they did not keep pace with the new forms of iron building, as to the relatively small damage which was done to it by the two or three Confederate cruisers that escaped. (Q. 8.)

TRANSFER OF TRADE.

"If our export trade has to pay any increased cost for insurance in time of war, it will be seriously handicapped in markets in which we are competing with other manufacturing nations. . . . I should be much more afraid of these markets once being lost not being recovered than I should of the shipping being transferred to another flag." (Q. 18.)

SEA RISKS AND WAR RISKS.

"I do not see how you can divide war risks into two classes without great risk of dispute and difference of opinion." (Q. 63.)

II.

THE OBJECT OF A NATIONAL GUARANTEE.

The exact words in Paragraph 229 of the R.C. Report are: "To minimise, so far as possible, or even to eliminate altogether, the amount by which war insurance would increase the cost of commodities, and to prevent British shipowners being compelled, owing to the disadvantageous position in which they might find themselves with reference to neutral competitors, either to lay up their ships, or transfer them to a neutral flag." (Q. 10.)

FORMS OF NATIONAL GUARANTEE.

Three suggestions were put before the Commission: (1) That the cost of insuring against war risks should be reimbursed to the British shipowner or merchant by the Government. (2) That the Government should take the place of underwriters and insure shipowners and shippers against war risks at premiums which, as there would be no question of making a profit, could be made much smaller in amount than if undertaken as a commercial enterprise. (3) That the Government should make good to shipowners and shippers all, or part, of their losses by capture in war. "I dismiss the first of these suggestions as open to every objection which may be brought against either of the other two, and others besides." No. 2 may be called National insurance and No. 3 National indemnity. (Q. 10.) "I attach great importance to the use of distinct phraseology, and to the same phrase connoting the same thing, because before us people came in and talked of national insurance when they meant indemnity, and so on." (Q. 9.)

INSURANCE AND INDEMNITY.

"If the premium charged for the insurance is one which is not calculated to recoup the cost to the Government, it is indemnity practically in everything except the name." (Q. 12.) The higher the premium and the more self supporting the scheme, the more it approaches insurance, but the higher the premium the less you get rid of the economic rise in the cost of freight on bringing foodstuff into the country. (Q. 13.)

NATIONAL INDEMNITY.

"I prefer what I describe as National indemnity." (Q. 9.) The moral effect of an indemnity in making things go on as they would in peace time is so great, and the risk of real loss so little, that much may be risked for the sake of having a uniform scheme. (Q. 37.) The safety of the State is the supreme law, and the risk must be taken of indemnity being regarded as a special protection for the benefit of a particular industry at the expense of the whole community. (Q. 33.) Since you include the cargo as well

as the shipping in the indemnity, you justify making it a National charge (Q. 34) . . . and cannot represent it as conferring a special benefit on a particular industry. (Q. 35.) The advantages of indemnity are very much greater than the advantages of insurance. (Q. 57.) Indemnity is the cheapest method of getting rid of war scares. (Q. 60.) It is as useful as a much stronger fleet. (Qs. 37.65.) "Unless the fleet is maintained at what I call an extravagantly high rate compared with others, you will be liable from time to time to scares on the food point, because at certain seasons of the year the supply of food in this country gets down at its worst to merely enough for six or seven weeks. That is generally in June, July or August, just before our harvest." (Q. 66.)

COST OF INDEMNITY.

The conclusion of the Commission (Paragraphs 241-242) was that if 1 per cent. of our shipping were lost the cost would be £1,800,000; if 2½ per cent., £4,500,000; and if 10 per cent. were lost, £18,000,000. The total British tonnage entered and cleared at United Kingdom ports in 1903 was 58 million tons, and as the cargo carried was worth £600,000,000, the cargo carried per ton of British shipping = £600,000,000,

58,000,000

or about £10 5s. The total British tonnage engaged in foreign trade in 1903 was 8,900,000 tons, which may be valued roughly at £10 per ton. Therefore the total amount at risk would be—

Value of shipping (£10 × 8,900,000)	£89,000,00
Value of cargo (£10 5s. × 8,900,000)	£91,000,000
	£180,000,000

(Q. 26.)

PAYMENT FOR INDEMNITY.

The consumer will ultimately in one form or another have to pay practically all the extra cost of what he consumes. In this matter the consumer and tax-payer are convertible terms. Better to put the cost on taxes than to leave the individual consumer to pay it as best he can. (Q. 17.)

EFFECT OF AN INDEMNITY ON NATIONALITY OF GOODS.

Ownership a very important and complicated point. "Ownership of the stuff we are bringing in consigned to us is probably ours, and therefore, being the private property of a belligerent, would be liable to capture by our opponent. If the stuff is being exported and is the property of the person to whom it is going, presumably a neutral, it would perhaps not be liable to capture because it is his property." (Q. 18.) But "there is nothing which a probably hostile prize court will not decide if it suits them as a matter of policy." (Q. 21.)

MR. WILDING'S SCHEME.

This is a combination of the two ideas underlying national insurance and national indemnity. He suggested that a premium of a fixed amount (5 per cent.) should be paid to the Government, and attached importance to some figure as a guarantee for the fairness of the claims which would ultimately be made in the event of loss by capture. He thought that the payment of a premium of 5 per cent. would involve the stating of a sum as capital value on which the premium would have to be calculated. (Q. 11.)

III.

CONDITIONS OF INDEMNITY.

"Nothing would have to be paid until a capture had actually taken place, and therefore there would be no justification for a rise of freight in respect of war insurance until war actually broke out." (Q. 17.) It would cover all cargo carried in British ships (Q. 50) even though the cargo was not British owned (Q. 51). It would cover ships trading between neutral ports, but not the cargoes if those cargoes were foreign owned. (Qs. 38, 40.)

If the captain and shipowner did not observe Admiralty instructions, the cargo-owner, if perfectly innocent, should receive the indemnity. (Qs. 48, 49.) Indemnity should be given to the owner of exported as well as of imported goods. (Q. 52.)

CONTROL.

The control on the part of the Admiralty ought to be made very stringent. (Q. 23.) Compliance with its instructions would be a condition of the indemnity. (Q 24.)

ISSUE OF A POLICY.

"I do not myself see any difficulty in ordering the shipowner who wishes to join in the advantages" of an indemnity scheme "to take out from the Government Department concerned what would correspond to a policy in the case of ordinary marine insurance, and in doing it he might be required to hand in all necessary papers to establish the value of his ship." This would give protection against unduly high claims. (Q. 25.)

DEVIATION.

"Supposing the Channel was unsafe and you could not get to London through the Straits of Dover, and we wanted food from the West . . . and the Admiralty said you must not go round the South of Ireland but you must go round the North of Ireland, and you must take the Pentland Firth and come down the East coast of Scotland; supposing they encountered a storm in the Pentland Firth and the ship was wrecked, then the wreck of that ship in the Pentland Firth, if due care in navigation were taken, would be a marine, and not a war, risk, but then that marine risk would never have been run except for purposes of war. Therefore I should be inclined personally, provided due care in navigation were exercised, to include that as a thing for which the man should be indemnified" (Q. 23.)

EXCESSIVE CHARGES.

"I see no difficulty in the Government taking powers to receive complaints from shippers of excessive freight charges, and, if that was to be substantiated, to inform the shipowner that he would forfeit his right to indemnity, or to exact some other penalty." (Q. 30.)

PAYMENT.

Promptitude of payment is essential. (Q. 63.)

BECK, MR. RAYMOND, Underwriter, Member of Lloyd's. (Qs. 1197-1484.)

I.

DESIRABILITY.

A State indemnity is very desirable, and is preferable to a scheme of insurance. (Q. 1200.) The knowledge that a scheme was in existence would prevent constant panics. (Q. 1298.) It is vital that the State should do something. (Q. 1471.) "I know that when Bradford spinners were supplying millions of blankets to Japan the contracts depended upon whether the rate was 5s. or 10s. per cent." (Q. 1469.)

SHIPPING IN WAR TIME.

The extension of wireless telegraphy will tell most in favour of the people who have got the most war ships. (Q. 1336.) It is unlikely that any first-class Power with which we were at war would sink ship and crew. (Q. 1456.) If many captures followed the outbreak of war, British shipping would become practically uninsurable, and would be laid up, or transferred to a foreign flag. (Q. 1457-9.)

THE RUSSO-JAPANESE WAR.

In the Russo-Japanese war practically all the risks were bad risks, because there is only one channel of approach to Russian ports. (Q. 1209.) The insurance market was not restricted until a certain zone was located as hazardous. Outside that zone it was unlimited, but when it came to the pressure point of dealing with the hazardous zone, the market shrivelled up very quickly." (Q. 1203.) Underwriters gauged the risks, as they rose from ½ per cent. to 30 guineas, accurately, and would not have been losers if the unexpected had not happened. ((Q. 1219.) The unforeseen event was the unusual blocking of La Perouse Straits by ice. (Q. 1378.) The premium of 30 guineas was meant to cover the fall of Port Arthur as soon as it occurred, but it was based on vessels bound for Vladivostock being able to pass through La Perouse Straits. (Q. 1379.) In the early part of the war colliers were insured at ½ per cent. from this country to Japan. Several were stopped in the Red Sea by Russian vessels, but were allowed to continue their voyage. As the war became more acute Russia did not wait to comply with the rules of warfare as laid down in books, and sank the vessels at once. (Q. 1221.) The losses which underwriters suffered were owing to shipowners insisting on proceeding with the voyage, "almost persisting in capture, if I may put it so." (Q. 1230.) The principles learnt by underwriters from the war were (1) That all possibilities or probabilities based upon the past are absolutely fallacious. (2) That no captures will be made in the future by an "Alabama," only by a war vessel of some sort, kept in absolute wireless communication with the mainland. "Instead of searching the seas without seeing a sail owing to ill fortune, they would simply net in everything." (3) That capture by the enemy will be looked upon as a very useful market by shipowners, and must be guarded against. (Q. 1266.)

MARINE INSURANCE—WAR.

"I think you may take it that the Lloyd's underwriters and the companies are most excellent judges. . . . even of a war risk." (Qs. 1216-17.) Their opinion came out extraordinarily right in the Japanese War. (Q. 1218.) War insurance in time of peace is confined to a very few trades, but it is habitual on the cargoes of nitrates from the West Coast of South America, and a war premium of 1s. 3d. per cent. is charged. (Q. 1331-2.) In time of peace the market for war risks is unlimited. (Q. 1202.)

MARKET FOR WAR INSURANCE.

"In the event of the outbreak of war the present market for insurance of vessels and cargoes against war risks would shrink up. . . . Prior to war, in the case of rumours or anything of that sort, there is a very large market, but after an outbreak, and in the probable event of captures, which I have reason to think would take place immediately, that market would almost entirely shrink up, and the few underwriters or companies engaged in the business would put the rates up to an absolutely prohibitive size for the carrying on of commerce." (Q. 1201.)

WAR RATES IN THE FUTURE.

If the North Sea were temporarily held by a foreign Power, the war risks on that portion would become certainly uncoverable at Lloyd's, except at enormous prices. (Q. 1209.) The rate would rise to 20 or 30 guineas per cent. (Q. 1212.) In any war we might be engaged in, if we had command of the North Atlantic the insurance on a cargo of grain from America would be "somewhere around 1 per cent." (Qs. 1274-5.) In a war with America the rate on grain coming from Canada, "if that end of the Atlantic was in the hands of the American fleet, would be about 70 guineas, I should think." (Q. 1376.) The United States would patrol the mouth of the St. Lawrence by one vessel with wireless communication, and would act exactly as the Japanese did. But suppose a Russian or French cruiser upon the great Atlantic trade routes, either the North or South Atlantic, without radio-cargoes being transferred to British ownership at their risk. (Q. 1427.) The Germans have no base that their ships could use at the present moment in the South Atlantic. (Q. 1425.) War premium will depend very much upon how the war is commenced. If the war is commenced by a sudden capture of merchant vessels it would create a very great scare in the insurance market, "and would scare out the greater number of careful, quiet underwriters, and would leave only the more venturous to deal with these questions." (Q. 1434.) A rate of anything like 2 per cent. or 2½ per cent. for long voyages is sufficient to stop trade. (Q. 1469.)

POSITION OF NEUTRALS.

A British ship being a belligerent would have to pay rather more insurance than a neutral. (Q. 1435-6.) Neutrals have to pay war insurance because "every conceivable kind of cargo becomes contraband for the time being." (Q. 1438.)

SEA RISKS AND WAR RISKS.

These may be taken by different underwriters (Q. 1483.) In the case of loss, the presumption would be that a ship had been lost by marine peril, and the marine underwriters would have to pay, unless they could prove she had been destroyed by the enemy. (Q. 1478.) A case of this sort happened with regard to a vessel going to Vladivostock. (Q. 1479.)

II.

PURCHASED INSURANCE.

State action of this kind may be dismissed, because (1) "You could only begin to sell insurance after the outbreak of war, which would be too late." (2) "When you were offering through a bureau, which might be opened in various places, to sell insurance, it would come to this—that when, we will say, the adequate premium for the risk was anywhere between ⅛ per cent. and ¼ per cent., Lloyd's and the insurance companies would be taking it under, and it would only be when those risks became worth 2, 3, 10, or 20 guineas per cent. that the man would go to your bureau and buy it for an eighth or a quarter." (Q. 1214.)

PAID FOR INDEMNITY—CARGO TAX.

"I should like to see inaugurated a system of indemnity by the State which would come into working automatically on the outbreak of war with any nation. It must, of course, be coupled with absolute restrictions as to what the shipowner does with his vessel if he is going to take advantage of it." Every vessel safely convoyed into port might contribute a tax of 1 per cent. on hull and cargo. This amount would not exceed in the case of cargoes of grain or meat the ordinary wastage in time of peace and prosperity. (Q. 1223.)

INDEMNITY WITH ZONE RATES.

Indemnity with a schedule of rates varying in different zones is getting very near insurance. (Q. 1304.) Underwriters probably would not undertake this business for the Government on commission. (Q. 1309.) As the war progressed, and as rates dropped below the State fixed schedule, underwriters would come in and gradually absorb the whole of the remaining business of the war. (Q. 1323.) There would be no difficulty in getting quotations at Lloyd's for any zone in which Lloyd's could do it under the fixed Government rate. (Q. 1321.) It would tend to keep the prices in the open insurance market down. (Q. 1324.)

INDEMNITY WITH TIME LIMIT.

It would be an immense stride towards indemnity to have free indemnity for all the vessels employed at the outbreak of war, and then to leave everything afterwards to the underwriter—and comparatively simple. (Qs. 1451-2.)

EFFECT OF INDEMNITY.

A free indemnity would probably result in foreign cargoes being transferred to British ownership at their

port of loading, instead of remaining under foreign ownership until they came to their port of landing. (Q. 1270.) Suppose an American owner shipped wheat to Liverpool in a British bottom, and it was seized by a vessel of the country with which we were at war. It ought to be released according to the principles of International law. Under present circumstances you might assume that the American owner would put his Government in motion to assert his rights, and recover his property. If we had an indemnity, it might be much simpler both for him and the American Government to claim against the indemnity rather than to go against the wrongdoer. (Mr. Chamberlain, Q. 1273.) We want to encourage foreigners to ship as long as they can. (Q. 1281.)

III.

CONDITIONS UNDER PAID-FOR INDEMNITY.

Shipowners should have the option of paying the 1 per cent. or not. (Qs. 1225-6.) The owner would pay 1 per cent. on the value of the ship, and so would the cargo owner, and they would try to make the value as low as possible. (Qs. 1349-51.) It would be an indemnity for certain voyages only, and would exclude those which the State considered too risky to be undertaken. (Q. 1231.) It should cover the risk of voyages begun before the outbreak of war, whatever they are. (Q. 1234.) The indemnity offered should be no more than the arrived market value of ship. (Q. 1239.) The shipowner would have to declare his route beforehand. (Q. 1229.) All ships that arrive should pay 1 per cent. on ship and cargo. The tax should only apply to ventures which are commenced after the outbreak of war. (Q. 1441.) There would be free indemnity for vessels afloat at that time. (Q. 1442.) The indemnity would be paid on value at port of arrival, which would include insurance, freight, and profit. (Qs. 1381-5.)

FRAUD.

Shipowners are very cunning. (Q. 1237.) And never make such good ventures as when they lose their ship. (Q. 1238.) The objection to allowing insurance above the indemnity lies in the probability of fraud. (Qs. 1414-17.)

VALUES.

Average adjusters could settle values of ship and cargo independently of the declared value in the policy, if necessary. (Qs. 1241-6.) The value of the ship at the time of capture, the value of the cargo at destination would be the values on which indemnity should be paid. (Q. 1252.) "There would be plenty of profit for the shipowners out of their vessels which bring in successful voyages for them not to feel hardly used when on one they only got the absolute market value." (Q. 1267.) To give less than market value would check enterprise. (Q. 1263.) "You would not always please the shipowner, but I see no difficulty in arriving at an equitable value." (Q. 1288.) It is always perfectly easy to arrive at what the value of the cargo is. The invoices of purchase can be secured, and the various documents, and the exact value, with a reasonable profit, can be ascertained. But the value of the hull is a more difficult question. (Q. 1312.) The values of marine insurance of ship and cargo would not be a satisfactory basis on which to pay indemnity. (Q. 1314.) It would necessitate a great deal of work to assess the value of each ship and cargo after its arrival, but not more than would be required to arrive at the value at which to take the insurance of a vessel which paid a premium before sailing. (Q. 1358.) Perhaps the ordinary system of clearances might be extended. (Q. 1361.) In each case you would have to get a certificate of the value of the different items of the cargo. (Q. 1370.) It would be necessary to see the bankers were properly protected. (Q. 1409.) The sale of cargo *en route*, as in the nitrate business, could be traced without difficulty. (Qs. 1398-9.)

A POLICY NECESSARY.

In order to come under the scheme, the shipowner would have to give notice to the Government at home. (Q. 1286.) Policies are used invariably as securities for raising money (Q. 1317), and therefore there would have to be some document passing between the Government and the ship and the cargo owner which they could use with their bankers. (Q. 1318.) The document would state values. (Q. 1320.) A mere acknowledgment from the Government might take the form of a policy. (Qs. 1410-11.)

ADMIRALTY CONTROL.

The Admiralty should have the right, not only to control, but to insist on the abandonment of a voyage at any given point. (Q. 1395.)

PAYMENT FOR DEMURRAGE.

Vessels detained in foreign ports on the outbreak of war and ordered to remain would be allowed free payment for demurrage by the State, until notice was given that the route was clear. (Qs. 1443-4.)

BINNING, Mr. J. T., Chairman of the Liverpool Underwriters' Association. (Qs. 1740-1962.)

I.

DESIRABILITY.

The view of Liverpool is that if the State interferes it will be more or less at the expense of the consumer. (Q. 1945.) It is unnecessary for the State to do anything, because there is no danger of panic or of the stopping of commerce due to high insurance rates. (Q. 1944.) It is unlikely that the premium would rise to a prohibitive rate in any but exceptional cases for very short periods. (Q. 1785.) "If the Navy is adequate, and if communication between the Admiralty and underwriters is good, premiums will be kept at a moderate figure, and there will not be that fear of captures which will really send prices up more than the actual captures themselves. Though some cargoes may be captured at first, the trade will find other channels." (Q. 1826.) Since our shipping is all over the globe, it is impossible to imagine that all, or even more than quite a comparatively small portion of it, would be in the war zone at one time. (Q. 1843.) Underwriters have facilities for salvage in the case of loss, in the case of stranding, and so forth, through associations which are not working for profit. "The Government would have to pay salvage companies, and would probably have to pay fairly heavily, and it would hardly have the other facilities that we have—all the accumulated information that we have, for instance." (Q. 1792.)

MARKET FOR WAR INSURANCE.

"Our experience in the last two wars, the Spanish-American and the Russo-Japanese wars, has shown that there is a very large market for war risks in this country." (Q. 1752.) "Competition amongst underwriters is so great that the premiums would not be unduly high." (Q. 1750.) There are some who will not write war risks, but they are in the minority. (Q. 1756.) Ordinary companies and private underwriters would be quite equal to taking the whole of the risks at reasonable premium. (Qs. 1760-1.)

WAR RATES IN THE FUTURE.

If we lost command of the sea we could not insure at any price. (Q. 1958.) Some time must be given in any case for naval superiority to assert itself, and this will be the critical time for insurance. The time required might be weeks or months. (Qs. 1960-2.) "I think that a great deal must depend upon our showing superiority at first, if possible. If we do that, there need be no fear of high war rates at all." (Q. 1957.)

SHIPPING IN WAR TIME.

"As a rule, war times are very good times for shipowners; there is a great deal of money to be made in them." (Q. 1765.) No rate of insurance could be put down as a prohibitive rate, because the rate would be taken by the shipowner along with his other expenses and added to what he would be willing to undertake the risk for, or it would be added to the ultimate cost of the produce. (Q. 1924.) War would no doubt stop up certain of the usual channels of commerce for the time being, but commerce would find other channels at once. (Q. 1925.)

TRANSFER TO NEUTRALS.

There is no doubt that the rates of insurance on our ships and on English goods shipped in British bottoms would be considerably higher than the insurance on neutral ships or on British goods shipped in neutral bottoms. (Q. 1767.) "If the fortunes of war were going very hardly against this country, I can quite understand owners transferring ships largely to a neutral flag." (Q. 1771.) It is very doubtful whether transfers would be allowed after the outbreak of war. (Q. 1769.)

RUSSO-JAPANESE WAR.

In the Russo-Japanese war, while contraband was being taken to Vladivostock the premium was high. (Q. 1761.) The rates being 25, 30, and 35 guineas per cent., and even 40 guineas in some cases. (Q. 1775.) In the case of Japan the premium may have been 3 per cent. at first, but as soon as the superiority of Japan was demonstrated the rate fell away to a very nominal one. (Qs. 1762-3.) Japanese vessels running from the west coast of North America to Japan with cargoes of flour were insured at 20s. to 40s. per cent., which is quite moderate. (Q. 1880.) The high rates to Vladivostock were kept down by competition. "As a matter of fact, the underwriters who wrote those risks lost money very largely." (Qs. 1914-15.) Russian risks were underwritten at Liverpool up to the fall of Port Arthur. There was always quite a free market on the Japanese risks. (Qs. 1955-1957.)

WAR WITH FRANCE.

There might be considerable captures in the Channel, and if these took place in the first week of war the rates of premium would rise accordingly. (Qs. 1773-4.) But they would only kill our manufacturing trade if they existed for any length of time. (Q. 1776.)

PRICES AND WAR RATES.

"Probably the fear of capture would have a greater effect on prices in this country than the actual captures themselves." (Q. 1748.) A rise in insurance rates would be one of the factors of rising prices, but not the only one, and not necessarily the largest. (Q. 1749.)

SEA RISKS AND WAR RISKS.

It not infrequently happens that a man is insured in two different offices or on two different policies. (Q. 1796.) "But in most cases the shipowner and the shipper or merchant would prefer to have the war risk covered by his own underwriter who has insured the goods, and when he can do it without undue expense he does so." (Q. 1798.) There might be serious difficulty in some cases in determining where the loss would lie. (Q. 1854.)

PANICS.

The best remedy against panic is an adequate Navy. (Q. 1874.)

ALTERNATIVE SCHEME.

"I can conceive of a scheme being devised" which would put a premium on arrivals rather than on losses. (Q. 1746.) It might take the form of a refund of the war premium, or a refund of a certain amount, on the arrival of the cargo. (Q. 1824.) Outward cargoes would have to be taken into consideration, as well as imports. (Q. 1838.) It might have a tendency to put up the premium because the owner, if he knew that he was to receive it back on arrival, might say to the underwriter, "I can pay you a good premium, because I am going to get it back again on arrival." (Q. 1900.) This scheme would not be any help to British commerce between non-British ports, nor to British commerce between British Colonies. (Q. 1939.)

II.

SCHEMES A AND B—OBJECTIONS.

(1) *General.*—In Liverpool "we think that these schemes would be more expensive than the present system, and would therefore not attain the desired object." (Q. 1745.) They miss their mark in tending to put a premium on losses rather than on arrivals. (Q. 1746.) They are based on the assumption that there would be a panic amongst underwriters in the event of war, which is not likely. (Qs. 1750-51.) Scheme A would be more largely adopted and availed of by shipowners than Scheme B, because with Scheme B the shipowner would in the first place go to his ordinary underwriter and do business with him, unless the Government's rate was lower. (Q. 1782.) Scheme A will really bountify the shipowner at the expense of the taxpayer. (Q. 1832.) It would be doubtful whether a shipowner would come in unless he was paid for his demurrage for delay (Q. 1894), even though an ordinary policy does not cover this loss. (Q. 1799.) The shipowner might be subjected to serious delay by Admiralty regulations. (Q. 1801.)

(2) *Undue Risks.*—"I think there would be a great many more cases of what I may perhaps call the prudent shipowner. To give an example, in the Spanish-American war a certain shipowner of very high standing had three ships sailing under the Spanish flag to the West Indies. Two of these ships were obsolete, and one was modern. He insured those three ships, I think at Lloyd's, against war risks for half a guinea per cent. for a period of time. The two old ships were sent to sea, and both were captured and confiscated by the Americans. The modern ship was kept carefully out of the way of the capturers, and is running still, I think. . . . There was no fraud in that case of any sort, and no suggestion of it at all; but one might say that it was a very fortunate thing for that prudent shipowner." (Q. 1805.) Even though an owner would only get the actual value of his ship, there would undoubtedly be an inducement to him to take hazardous risks, because he would get the full market value of his ships. (Q. 1905.)

(3) *Cost of working* would be much greater than the cost of the present system. "We do not see how any committee . . . is going to fix premiums and assess values and pay claims with what shipowners would understand to be promptness without at the same time admitting a great deal that is improper, and possibly even fraudulent." (Q. 1781.)

(4) *Values.*—In an ordinary policy valuation is a matter of bargain between the shipowner and the underwriter (Q. 1806), who determines his rate according to the value. (Q. 1807.) Values may rise after the ship is built, and, on the other hand, some steamers are depreciated almost before they are put into the water. (Q. 1820.) Values are assessed satisfactorily in case of loss by general average adjusters. (Q. 1861.) If there was indemnity values would be put up very largely at the commencement of the war, and this would lead to questions which do not exist now. (Q. 1863.) In these days of cables it would be known perfectly well in New York what the position was over here, and a very high value put on cargoes that were coming here that were likely to be in danger of being captured. (Q. 1870.) The ordinary underwriters might allow a shipowner to put a higher value than the Government would. (Q. 1894.)

SCHEME B.

This scheme would be very advantageous to an underwriter, because it would relieve him of all the bad risks. (Q. 1928.) It might just do for the critical period, and afterwards natural methods would assert themselves. (Q. 1930-1.) If the State fixed its schedule of rates in a clear form, it might be arranged that all the actual business of insurance could be carried on by underwriters acting on behalf of the State on commission. (Q. 1937.)

BOLTON, Mr. F., Underwriter, Broker, and Shipowner. (Qs. 2662-2970.)

I.

DESIRABILITY.

"I am of opinion that a scheme of national indemnity is desirable in the interests of the whole nation, but whether desirable or not, the Government in time of war would probably be forced sooner or later to provide some such protection." (Appx.)

DECLARATION OF PARIS.

"I pay no attention to that at all. . . . It would not be adhered to." (Qs. 2839-40.) A neutral cargo in a belligerent ship would certainly be captured and very likely condemned. (Q. 2897.) "We have had plenty of those cases of illegal captures." (Q. 2898.)

SHIPPING IN WAR TIME.

To induce the shipowner to put to sea in time of war, there would be the better freight market in the first instance, the high prices of commodities which would enable shipowners to demand higher freight, and lastly the charges to which a shipowner would be put if he laid his ship up. (Q. 2968.) But no manager could face his shareholders and report the loss of a ship uninsured which he had had the opportunity of keeping in safety. (Q. 2970.) One man to turn the engines and one watchman would be all the staff necessary to look after a ship in a home port. Depreciation is not a very important item. (Qs. 2965-7.) But laying up is an expensive operation away from home. (Q. 2963.) The effect of war would be to increase freights, and to raise the value of steamers. (Qs. 2958-9.)

MARKET FOR WAR INSURANCE.

If there were no national guarantee the losses of the first two weeks of war would probably be covered by the ordinary methods of the underwriting market. It is the later supplies that would be interfered with and stopped. (Q. 2845.) The market has not expanded in proportion to the increase of shipping since the great French war. (Q. 2769.) Once there had been losses a great many underwriters would simply refuse to touch war risks, irrespective of the locality. (Q. 2794.)

NEUTRALS IN WAR TIME.

Neutral ships plying to British ports would pay much the same war premiums as British ships plying to British ports. In any case, the premiums would be much more equal than they would have been before the experience of the Russo-Japanese war. (Qs. 2952, 2847.)

ATTITUDE OF OTHER INDUSTRIES.

The special reason for giving a guarantee to shipping is that its safety affects all interests. "If you cannot bring in your raw materials, you cannot keep your mills at work." It is true that underwriters and shipowners are benefited incidentally, but this cannot be helped. (Q. 2916.)

II.

NATIONAL INDEMNITY.

Does not vary the loss in any way. The actual loss to the community has got to be made good. State indemnity is only distribution. If you distribute the loss through the taxes you come back on to your units of the community. (Q. 2875.)

Advantages.—(1) Relief of the Government from unreasonable and undesirable pressure in time of war. (Appx.)

(2) Maintenance of prices at a more normal level. (Appx.)

(3) Continuity of supplies of foodstuffs and raw material. "I do not say at all you would obtain your normal supplies, but I do think that you would remove a hindrance to obtaining your supplies." (Q. 2757.)

(4) Better distribution of losses through destruction of property over the population as a whole. (Q. 2781-3.) Discrimination between luxuries and necessities would cause a complication which might destroy the value of the scheme. (Q. 2786.)

(5) Continued employment of our Mercantile Marine. Unless shipowners had protection in some form or other the losses, according to the Report of the Admiralty Manœuvres, 1906, would be so heavy that no owner would venture to go to sea. It would be impossible for him to get his insurance effected. (Q. 2760.)

(6) Prevention of discrimination against the British flag in favour of neutrals. Without indemnity an insurance under the British flag would be heavier than under a neutral flag. (Q. 2798.) In time of war foreign shipping employed in our own trade would be released for the neutral trade. (Q. 2800.) "There is an enormous mass of our trade under our flag from neutral port to neutral port; it is there that the heaviest weight of the discrimination would fall." (Q. 2802.)

(7) Temptation to transfer would be removed. "Although I do not attach in any case much importance to this point, it is as well that the temptation should not be present." (Appx.)

Cost.—The weekly amount of British shipping at risk is £27,834,000. (Q. 2818), of which, it is assumed, 50 per cent. would have to traverse the danger zones. (Appx.) The report of the Naval Manœuvres gives an indication that the enemy would capture about one-third. (Q. 2811.) Allowing for two weeks at full rate of capture, estimated at 25 per cent. for the trade to and from the United Kingdom, within the danger zones, this would mean £6,958,000. (Appx.) To which must be added £2,000,000 for foreign trade in British vessels, and £1,500,000 for British steamers and their cargoes in foreign ports. (Appx.) Making altogether £10,500,000, as the result of two full weeks of the maximum rate of capture, before complete mastery of the sea is gained. (Qs. 2921-3.) This argument, which is based on the manœuvres, involves the assumption that the enemy would be able to act in as great strength relatively to our fleet as our Blue fleet. (Q. 2866.) It is also made on the assumption that neutral cargoes taken would be a total loss, whereas if we were the victors we could probably enforce recovery. (Q. 2681.) There would be no objection to charging either registration fees or stamps on bills of lading, or tonnage dues, or even in the last resort a small tax so as to build up a fund out of which these sums for indemnity should be paid, though "I have not considered" a scheme of this kind. (Q. 2949.)

Fraud.—Even though additional insurance would have to be allowed to cover values that were dependent

on the immediate circumstances, fraud is not to be feared. (Qs. 2721-2.) Business is too much done in the open nowadays; men have their reputations and their characters to lose. (Q. 2729.)

Ownership.—"If you guarantee the flag, cargo will not be transferred to British ownership." (Q. 2676.) If foreign owned cargo in British bottoms were not indemnified, a great blow would be dealt at our shipping trade. (Q. 2679.)

Bounty.—No doubt by the scheme of indemnity you do benefit shipowners and cargo-owners, but you cannot help it. You do not do it for that purpose; that is incidental." (Q. 2835.)

SCHEME B.

The State would only get the risks where the market valuation of the risks was in excess of the premiums demanded by the State. (Q. 2874.) "I do not think it is an equitable distribution of loss, and I think the mechanism of the working of it would be very difficult," though "it would be perfectly mechanical if you had certain zones at certain prices." (Qs. 2881, 2883.)

III.

CONDITIONS OF INDEMNITY.

To secure the full benefits of national indemnity it is necessary that a scheme should provide

(1) The least possible dislocation in and disturbance of commerce and industry.

(2) As complete protection as that afforded by the organisation which it replaces.

(3) A method simple in form and free from complication.

(4) A Board of Administration possessing unfettered control, and commanding confidence both in the ability of its management and in prompt settlement of claims. (Appx.)

SUGGESTED ALTERATIONS TO SCHEME A WITH A VIEW TO MAKING IT COMPLY MORE NEARLY WITH THE ABOVE CONDITIONS.

Clause 1. Persons entitled to claim indemnity.—The clause would run better as follows:—"The owners of all ships under the British flag, and the owners of cargoes carried in such ships." (Appx.) It is wiser to make the scheme Imperial. (Q. 2664.) Foreign goods would be covered by the indemnity, but not enemy goods, since this would not be legal under the common law. (Q. 2665.) "It is our duty to make our arrangements on the assumption that an enemy would take every advantage." (Appx.)

Clause 2. Losses to be covered by indemnity.—The protection given should be defined as follows:—"Against those risks which are, or would be, excluded from an ordinary English policy of marine insurance by the clause 'Warranted free of capture, seizure and detention, and the consequences thereof, or of any attempt thereat, piracy excepted, and also from all consequences of hostilities or warlike operations, whether before or after declaration of war.'" (Appx.) This alteration is in order to avoid difficult questions of responsibility. (Q. 2686.) The war policy would be against the risks excluded from the marine policy, and in case of a doubtful claim the owner would proceed against both Government and the underwriter, leaving it to the Court to say which was liable. (Q. 2689.) Ordinary war policies do not cover loss by demurrage in the ordinary sense. (Q. 2696.) All that underwriters on ships insure against is damage to ship, and expenses occasioned by detention or delay are damages suffered by the shipowner, but not to the ship. Loss on the cargo from demurrage is likewise not covered. (Q. 2697.) The indemnity would cover voyages between foreign ports, and export as well as import voyages. (Qs. 2667, 2671.)

Clause 3. Conditions to be complied with in order to secure indemnity.—It is unnecessary to notify the prescribed department as suggested in Scheme A, but any official instructions given should be compulsory. Apart from that, trade should go on in the same way as in peace time. (Q. 2709.) The principal would not be held responsible for the acts of his agent, following the practice of an ordinary marine policy. (Qs. 2715*, 2716.) But the man who disobeyed instructions should be penalised very heavily. (Q. 2713.)

Clause 4. Value on which indemnity shall be claimed.—The basis of value should be settled in the scheme, and there is no serious difficulty in defining it. Any reasonable basis would be satisfactory if stated before the scheme came into operation. For instance, shipping might be taken at the original cost to the existing owner, less a certain percentage per annum for depreciation, calculated on the original cost of the ship. No transfer to fresh ownership within a given time previous to outbreak of war should be recognised. (Appx.) This would avoid excess values occasioned by the prospect of war. (Q. 2737.) The value for the ship would not include the profits the ship was making, for these would be separately insured as freight. (Q. 2742.) Cargo might be valued in several ways, such as invoice cost, freight and marine insurance, plus per cent. profit, or at market price at the port of origin or port of destination, at the day of capture.

A particular method is not important, so long as a basis is decided before the inception of the risks. The scheme should work automatically as regards value. There should be no occasion for discussion afterwards. (Appx.)

Clause 5. Settlement of claims.—The Board would have mainly to be constituted by underwriters, because they are about the only people that would understand the work that would come before them. (Q. 2744.) "I should think if you could find twelve of them, two of them could give one day each week by arranging among themselves. You do not want a number of men to settle things of this sort, you want two or three at the outside. Of course the Government would be represented, and there might be a third man. There is no necessity to have more. An occasional meeting of a fuller Board for cases of special difficulty might be held." (Q. 2745.) There would be appeal both for the assured and the Government from the decision of the Board. (Qs. 2748-50.) Unless this was allowed the banks would look askance at the policy. "The greater part of our trade is done through banks. The provisions suggested would not make a good document for a bank. You might go to this Board of administration and be told that you had no claim; you might proceed to the Court and be told that you had no claim on the ordinary insurance. I do not think that any bank would take that risk." (Q. 2753.)

BOULTON, Mr. SIDNEY ALEXANDER Underwriter at Lloyd's. (Qs. 1485-1739.)

I.

DESIRABILITY.

Certainly in favour of a scheme of national guarantee. "An amalgamation of Schemes A and B seems to me the most practical and beneficial." (Qs. 1492-3.) A national guarantee would have the effect of steadying prices and preventing our business as shipowners being seriously affected. (Q. 1543.) The guiding principle would be the protection of the food supply of the poor, and of the raw material on which the poor work. (Q. 1553.) There would be great danger of panic arising out of the inflation of insurance if war broke out as matters now stand. (Q. 1591.)

MARKET FOR WAR INSURANCE.

There is a very much smaller market for war risks in time of war than there is in time of peace. A large majority of underwriters prefer not to underwrite war risks, and they do not write them if they can help it. (Qs. 1511-12.) Before war broke out the existing market could easily cover £100,000,000 at 5 or 6 per cent. (Q. 1581). Difficulties would only arise when the losses had to be paid for. (Q. 1583.) In peace time something like fifty to a hundred thousand policies are taken out in London per diem. (Q. 1655.) Premiums would rise very quickly on hearing that captures had taken place. "It might be impossible to cover a cargo at any reasonable price." (Q. 1670.) As the premiums rose the market would become smaller. (Q. 1671.)

SCARE RATES.

In the time of the Pendjeh scare 1 per cent. for 12 months was paid for large fleets, or 10s. per cent. for three months. (Q. 1505.)

SHIPPING IN WAR TIME.

"From my experience in the Vladivostock affair, the helplessness of a merchant steamer in time of war was very much impressed upon me." (Q. 1506.) Considering that our shipping is spread over all the world the idea of protection is out of the question. If an enemy had a base in the Mediterranean or the Baltic, its cruiser would be like a wolf among a flock of sheep. (Q. 1508.) But it must be remembered that the capacity of a cruiser for capture, like the appetite of a wolf, is limited. (Q. 1714.) Supposing ships under a neutral flag were debarred from indemnity, we have sufficient capacity in our own ships to carry all the foodstuffs and raw material that would be required. (Q. 1678.) Freights would rise, but to nothing like the extent that they would in case a heavy war premium had to be paid. (Q. 1679.)

RUSSO-JAPANESE WAR.

The Russians gave the British shipowner an indemnity against capture, but the shipowner thought so little of the value of the indemnity that he preferred to insure with the companies. (Q. 1681.)

SEA RISKS AND WAR RISKS.

In times of peace it is very usual to have sea risks and war risks together. In times of war "underwriters are sharply divided into two classes; those who are willing to take war risks, and those who are very unwilling to do it; and you will find the risks taken separately. But the difficulties that I have read about as to questions arising as to which policy the loss would come upon, whether a war policy or a marine policy, are very much exaggerated." Though such questions are always liable to arise where risks are divided. (Q. 1635.)

MARINE INSURANCE WAR.

War with France.—In the case of a war with France, the probable rate of a premium on grain from the Black Sea through the Mediterranean would be 5 guineas per cent. against war risks. (Q. 1666.) For ships coming up the Channel underwriters would write the risks at 1 per cent., but if any vessels were captured, they might go up to 20 per cent. at once. (Q. 1668.) In the case of war with France or Germany premiums in the first instance for a voyage across the Atlantic would be from ½ to 1 per cent. (Q. 1701.)

NEUTRALS IN WAR TIME.

If food stuffs were declared contraband of war, there would not be much less risk in shipping under a foreign flag. (Q. 1674.) It is not probable that the United States who have no vessels to back up their complaints, would be able to prevent grain from being declared contraband. (Qs. 1687-8.)

OTHER SCHEMES.

Mutual Insurance.—Mutual insurance societies exist because they do not cost anything to belong to, but in time of war those that run the big risks would get their money out of those that took the safe course, and in practice they would be absolutely useless. (Qs. 1641-3.)

II.

Mr. BOULTON'S SCHEME.

State Indemnity with Registration Fee.—To anyone largely interested in shipping, the question of war between this country and another is one of the factors in the value of their property. If that danger is eliminated, the property would be increased in value, and as a business transaction the offer of a guarantee on the part of the State would be well worth ⅛ per cent. (Q. 1514.) "In case of war the State would be very much better able to do justice and give people satisfaction than the underwriters would." (Q. 1632.) The main object of the scheme would be to keep down prices of food and raw material, and maintain the supremacy of the commercial marine. (Qs. 1658-9.) "It is only right that the shipowner should pay for what appears to me to be a great advantage offered to him. In the second place it constitutes a sort of register of value which is settled in time of peace . . . which is not altogether an easy matter, but still one that is to be done with the help of experts." (Q. 1519.) The indemnity would be confined to food and raw materials. (Q. 1552.) "I think a very strong case can be made out for an indemnity for steamers and for food and raw material, but I do not think a strong case can be made out for a general indemnity." (Q. 1559.) Protection of imports is more necessary than the protection of exports. "It does not seem to me the urgency is so great in one case as in the other, because we should not anticipate that a war would last for years, and temporary interruption of commerce is not the same as a temporary interruption of food supplies. The effect would be entirely different. One is a matter of famine prices, starvation, and insurrection possibly—difficulties at all events. The other is a mere matter of tiding over a few months of bad business." (Q. 1565.) To ask shipowners to pay 2s. 6d. is really to offer more than the money's worth, because no insurance company would offer to insure a shipowner perpetually, whatever happened, for 2s. 6d. per cent. (Q. 1593.) The same fee would be charged to the tramp steamer as to the fast steamer. (Q. 1651.) It would be quite possible for the British Government to offer an indemnity to a neutral flag to bring in cargoes, on the ground of absolute necessity, but it is almost impossible to contemplate the state of things that our own ships would be unable to bring them. (Q. 1684.) It might be advisable to make the fee a good deal smaller than ⅛ per cent.; "as I say, merely a registration fee really, the object being to settle values and questions of that sort, and not much importance being attached to the amount of income which might be derived from it." (Q. 1706.)

Cost.—The value of the Mercantile Marine is calculated roughly at £150,000,000. (Q. 1513.) "I calculate that the tax of ⅛ per cent., if every steamer had to pay it, would produce about £200,000 a year." (Q. 1708.) Mr. Bolton's estimate of £5,000,000 as the cost of indemnity to the country (Q. 1707) is "really staggering in its modesty . . . when you consider that taking Vladivostock alone the losses were £2,000,000 in that one place." (Qs. 1712-3.) This low estimate was probably affected by a consideration of the difficulties under modern conditions which make capture less easy than it was in old times. (Q. 1723.) A single Atlantic liner would fill a cruiser full, and it would take time to destroy the ship and land the crew. (Q. 1718.)

Fraud.—"My experience shows that a certain class of men, when they are very well insured, are absolutely reckless as to what becomes of their property." (Q. 1519.) But there is not much danger of bogus cargoes being sent over on purpose to be captured, because the shipowner would have to be party to the swindle to make any fraud effective. (Q. 1601.)

CRITICISM OF SCHEME B.

If the market premium is not to be charged, it would be better not to charge a premium at all, but to indemnify outright. (Q. 1622.) It is unfair to the State, because in case of the premium in the open market being lower, the State would not have the business. (Q. 1629.) "But in the case of the man who wanted to run a very risky adventure, he would go to the State and say, 'I want your policy.' It is not fair at all to the State, or to the competitors." (Q. 1630.) Even though the extreme risk would be governed by the fact that he would have to comply with Admiralty regulations. (Q. 1631.) There would be great difficulty in

handing the State premium forms to underwriting firms, and asking them to complete the business on the part of the State. (Q. 1729.*) "As a business arrangement, I should never give a power of that sort into the hands of people that I knew very little of. You hand over the whole risk to people who are not going to run any rick themselves." (Q. 1730*.) Once you vary the premiums on special routes, "you are going into the whole scheme of insurance business . . . You have either to take the market price, or you have not." (Q. 1733.)

III.

Conditions—General.—If a large majority of the shipowners were in favour of this scheme it ought to be compulsory, but if not, only voluntary. (Q. 1496.)

Registration Fee.—"I have fixed on the price of $\frac{1}{8}$ per cent. of the value of the steamer." (Q. 1497.) Sailing ships to be excluded on the ground that they are too bad a risk. (Q. 1499.) Sailing vessels will probably die a natural death. (Q. 1502.) Trade from the West Coast of America with nitrate and wheat used to be carried very largely in sailing ships, but quite as large tonnage now comes in steamers. (Q. 1500.) The rate for war risks in normal times such as the present, with certain restrictions as to trade, is 3s. 4d. per cent. (Q. 1504.)

A Policy Necessary.—The object of having a policy is to fix values in peace time apart from scares. If war breaks out no scare value would be paid for the ship. (Q. 1724.) Policies might all expire on the 1st of January (Q. 1727) and be revised annually. (Q. 1587.) In case of war, the value fixed in peace time would stand until the conclusion of the war. (Qs. 1728-9.)

Control.—The State would open an office in time of peace. "One man, a secretary or something of that sort, would be sufficient," and highly expert assistance could be obtained. (Q. 1522-23.) It would not be at all difficult to fix the value of ships under these conditions. (Q. 1524.) The indemnity would only stand provided the shipowner carried out Admiralty's orders. (Q. 1573.)

Values.—The great point is to avoid dispute. "As underwriters we should never allow a value to be fixed after a loss. We should arrange, and we do arrange in certain cases where the value cannot be fixed before the vessel has been some time on her voyage, that the value should be taken at, say, invoice cost, the freight and 10 per cent.—a fixed sum. But we should never leave the owner of the property to fix the value after loss comes, because we should not only be very often swindled, but we should certainly be having differences, which are best avoided." (Q. 1528.) In the case of cargo this is a very general principle. (Q. 1532.) A man would have every incentive to make his cargo arrive, because he would get, say, 100 per cent. profit provided it arrived, and if it were lost he would only get 10 per cent. For this reason the arrived value of the cargo should not be offered. (Q. 1604.) There is no way of avoiding fixing the value of the cargo after capture. (Q. 1612.) Owners as a rule want to insure the full value of their ships. (Q. 1535.) The values for the purposes of marine insurance would be a very unsafe guide for gratuitous indemnity, "because if a man wanted to commit a fraud as a war risk, to get a steamer captured, he would magnify the value of his sea policy to any extent, and the underwriters would not mind because they would know that it was not a sea risk the ship was running. In some cases the sea risk might be worth 5s., and the war risk might be worth 50 guineas. If you are going to accept the marine policy as the value in the war risk, a man could insure for ten times the value of his cargo and pay 5s. per cent. for the marine insurance, on the chance of his getting a war policy at the same figure." (Q. 1637.) It is important to have the values of hulls settled in time of peace. In the Russo-Japanese war "there was an American owner, and as a sea risk his steamer was insured for £20,000. He took up a charter which involved a war risk, and he insured for £35,000. The steamer was captured. She was kept a long time by the Japanese, and finally sold back to the owner. The underwriters paid a loss of £35,000 on it. She was sold back to the American owner for £10,000, so he got £35,000 from the underwriters, and the steamer for which he paid £10,000, or a profit of £25,000. That is the sort of thing one has to contemplate." (Q. 1536.)

BOWLES, Mr. THOMAS GIBSON, formerly Member of Parliament for King's Lynn. (Qs. 68—249.)

NATIONAL GUARANTEE—A NOVEL SUGGESTION.

"Hitherto it has been held that all the loss the subject incidentally incurred, whether of his property or of his life, through the existence of war must fall upon him." (Q. 71.)

CONCLUSIONS OF THE ROYAL COMMISSION ON FOOD SUPPLIES: CRITICISM.

"The Report of the Commission bears, to my mind, manifest traces of patchwork." Their conclusions may be stated as follows:—"That as regards supplies no apprehension need be felt; that they will suffer no material diminution in quantity, and can therefore hardly suffer any material appreciation of their price; that the addition to price, if there be any, will be "relatively small"; and that finally it is not a question of price, but only of panic—not a question of scarcity, but only of scare. To meet this the proposal is made of a system of national indemnity." (Q. 98.) The need for indemnity is a question of prices. (Q. 75.) The Committee has to deal with a national loss, and not with a loss of a class of merchants or shipowners. "If freights are not likely to be doubled or trebled, nor prices likely to rise to the famine level often predicted, ... the question becomes of small importance compared with those other questions which every war must raise. If they are not likely to rise at all, it becomes of no importance whatever." (Q. 76.) "If freights alone rose, or even if both freights and insurance rose, without resulting in a rise of prices nobody would be injured; on the contrary, shipowners and underwriters would increase in prosperity, while the consumers and the nation at large would be left unaffected. It is, therefore, only to the apprehended rise in the price of food and raw material that I submit attention need be given." (Q. 84.)

PRICES IN WAR TIME.

The question "may again be narrowed to that of prices on articles of prime necessity—articles of food and articles of prime necessity in the way of raw material—cotton, for instance. I do not think this Committee could entertain a proposal to tax the subject at large in order to keep up the supply of ostrich feathers or perfumery." (Q. 84.) It is by no means certain that on the outbreak of war prices would necessarily rise. On the authority of Mr. Tooke, the Royal Commission believed that the great French war caused a very great rise in prices, but this is misleading. In Vol. 1, page 97, Mr. Tooke says: "It will appear on reference to former periods of our history that there is no observable coincidence of a rise of prices during war and a fall during peace. On the contrary, it so happens that in the case of the agricultural produce of this country there was for upwards of 100 years previous to 1793 as low a range of prices during periods of war as during the intervals of peace. This has been eminently the case with respect to wheat." (Q. 88.) During the war Colonial sugar was selling in England at 6d. a pound and in France at 6s. In 1801 we already im-

ported one-fifth of our food supply from abroad. (Q. 90.) In June, 1817, two years after the battle of Waterloo, the price of wheat in Mark Lane was 135s. a quarter, whereas it had been down to 42s. during the war. "The circumstances which finally govern prices are so numerous and so complex that it is a very rash thing to predict what the effects of anything in the world will be upon prices." In 1837 it cost 12s. a quarter to bring wheat from Amsterdam, and you can now bring that same quarter for under a shilling from New York. "Therefore I should say that if there is any one thing we may conclude with regard to prices, it is that probably in future they will not be subject to such great variations, and that they will move within much narrower limits than they did before." (Q. 92.) Of all the factors the war risk will be the least important one in fixing prices. (Q. 93.) "One of the things which constantly lowered prices in the French War was the advent of an enormous amount of captured corn and captured provisions from the enemy." (Q. 92.) Considerable, and even violent, fluctuations of price within a limited period are very possible, but they will be within narrower limits than in the old time, because of the increased sources of supply. (Qs. 248, 249.)

TRANSFERS TO NEUTRALS.

(1) *Origin.*—The question of the transfer of British shipping in case of war to a neutral flag arose the moment the Declaration of Paris was signed in 1856. Previously a British ship was just as safe or as unsafe for British goods which were enemy goods as a neutral, and the goods were equally liable to capture under either. The question of the possible general transfer only arose when it was agreed that the neutral flag should cover the cargo. This immediately gave a very great advantage to the neutral in case of war. (Q. 72.) The rise in the cost of insurance of British shipping in time of war places the shipowner at a disadvantage in respect to the neutral, but it is not certain that it would cause a transfer of register. "Just see how we compete with the vessels of other nations, though they have easier conditions with regard to deck cargoes, cheaper crews, and everything else." (Qs. 196, 197.) The only real inducement for a shipowner to transfer in time of war is his difficulty in obtaining a cargo for his ship. (Q. 238.)

(2) *Danger of Transfer.*—Particular wars must be considered separately. If you were at war with Greece, with Venezuela, with Turkey, or with Austria, there would be no danger of transfer owing to danger from the enemy. "There would be very little with Italy; there would be a very great deal with France; there would be enormous danger in the case of the United States; and there would be a very considerable danger in the case of war with Germany." (Q. 74.)

(3) *Legal Difficulties.*—These do not really exist, though Professor Holland thought otherwise—e.g., the case of the "Baltica." In 1898 in the Spanish-American War the few ships of the American lines running to Europe were at once transferred to the Belgian flag. (Qs. 75, 167.) Ships could be "transferred to Belgium, to Holland, certainly, to Norway, to Denmark, and to Sweden. Then, I think, they could certainly be transferred to France and to Spain." (Q. 154.) "I can see nothing in practice or in principle, or in previous history, that would justify or encourage a belligerent to refuse to recognise a transfer lawfully made." (Q. 163.) The greater part of the crews would be furnished by the neutrals. (Q. 165.)

(4) *Financial Difficulties.*—"But the transaction would finance itself on the supposition that is made," viz., that a great trade is to be done, the ships which ordinarily do it being laid up and unable to sail under a belligerent flag, and they are to be had cheap. (Q. 75.)

CONDITIONS OF MODERN WARFARE.

The great war with France "resulted after twenty years not in any loss of British shipping or trade, but in the doubling of both the shipping and the trade, while the shipping and the trade of the enemy were lessened by two-thirds, and for the time ruined. The experience of our next war will be different." War between Great Britain and the whole of the world is quite inconceivable. The next war will be a war with a strong probability of an early ally, and it may bring upon us a land war on the frontiers of India and Canada. A maritime war to necessitate a National Guarantee must be waged with a single State of importance. Smaller States, such as Greece, Venezuela, Turkey, may be excluded. War with Russia, Austria, Italy, Holland, Denmark, Norway, Sweden, Portugal, Belgium, and Spain may be disregarded for the same reason. (Qs. 76-78.) Spain has not the resources nor the energy of the United States of America, although with her splendid coast line and beautiful ports and power to issue privateers she might become a serious enemy if in alliance with an astute nation like the Germans. (Q. 78.) Modern privateering in its new form is just as dangerous to commerce as was the old privateering. The old privateering was a part venture for a part prize of war by an individual, as compared with a general venture for the general prize undertaken by the usual subjects out of war expenditure. (Q. 172-3.) War with the United States, France, and Germany remains to be considered. (Q. 76.)

WAR WITH THE UNITED STATES.

The U.S.A. have an enormous sea-board full of splendid ports on two oceans, great enterprise and ability, and are not bound by the Declaration of Paris. "They could commission privateers under the old form, and they could capture British goods under the neutral flag. We being bound, as they are not, by the Declaration, could not retaliate by capturing American goods under the neutral flag, because although we are not bound as towards America we are bound as towards all the neutral Powers." (Q. 76.) Spain and the United States only waived their rights for the duration of their war. (Q. 78.)

WAR WITH FRANCE.

This "would be the next most dangerous war for us after that with the United States. She too has a grand sea-board on the Atlantic and on the Mediterranean. . . . From Brest onwards there is a succession of magnificent ports in both seas. Then she has an unbroken and very fine naval tradition." But war with France is highly improbable because "she has got universal military service and she has got universal suffrage. The man that votes is the man that has to fight; he therefore always votes against fighting, and I do not believe any French Ministry could live a fortnight that went to war for anything else than the defence of the territory, unless indeed there was some unexpected and certain chance of getting back Alsace-Lorraine." (Q. 78.) "In case of war with France, certainly the price of wines, silks, fancy goods, and all the fancy things that we get from France would rise, but I see no probability of a rise in the price of food or of raw material generally." (Q. 79.)

WAR WITH GERMANY.

"Her coast line is small, her ports are bad and they are few . . . in addition to that the German Navy, though it is very formidable in numbers and in equipment and the men are well trained, still lacks what is essential to a navy, naval tradition. . . . If Germany were doubled with Holland she would be doubled in importance without adding materially to her fleet, because then she would have that grand Dutch nation incorporated with her, with all their seamanlike qualities and traditions." But even with an auxiliary fleet it would be impossible to stop the supplies of this country. "Nature protects us. The great avenues of approach to the British Islands . . . are wide indeed. From Norway to the Orkneys is 300 miles, from the Orkneys to the northern end of Ireland is 350 miles, from the northern end of Ireland to Cape Clear at its southern end is 300 miles, from Cape Clear to the Scilly Islands is 150 miles, and from the Scilly Islands to Ushant is 100 miles. This makes altogether 1,200 miles of sea, every mile of which must be stopped before you can prevent access to the British Islands." (Q. 79.)

II.

NATIONAL INSURANCE.

"At once I say that if you are going to charge an adequate premium it will be far better to leave it to the underwriters who do it now than for the State to enter upon so extremely complicated a business, in which the difficulties and the calculations are very considerable, and in which the State would be very greatly exposed to fraud." (Q. 100.)

NATIONAL INDEMNITY.

"I will at once say that all the schemes embodying this proposal seem to me to be unnecessary, vicious, intolerably expensive, and certain to open up a series of very grave dangers and embarrassments." The stimulus to British shipowners would be "not in the pursuit of carriage, but in the pursuit of captors for their ships." (Q. 100.) "Generally speaking, if a shipowner wants to be sure of making a good thing, the only certainty is to get his ship totally lost." (Q. 102.)

GRATUITOUS INDEMNITY: CRITICISMS OF ROYAL COMMISSION'S ARGUMENTS.

(1) It is alleged (Report page 53) that it would be "*more economical than private insurance, because the country would only have to pay for actual losses.*" But the State has never yet conducted any business more economically than private enterprise. Yet even if it be true that the country would only pay for actual losses, it is also true that the country would receive no premium, and that the State, instead of dividing all the losses among all the possible losers—which is what the underwriter system does—would itself bear the whole of the losses. "But the State being a pauper except for the taxpayer, this means that it is the taxpayer who would bear the losses. Now the taxpayer is not identical either with the shipowner, or with the cargo owner, or with the final consumer . . . he includes them all, but he is not identical with them. . . . At present the loss is represented by the insurance; that insurance goes on to the price of the goods, and gets down at last to the consumer of those goods, but not to the consumer of other things—for the consumer of corn does not pay for ostrich feathers, nor the consumer of ostrich feathers for corn. . . . . By this scheme . . . it shall no longer be the loss of the consumer or of the man who is interested in the goods, but it shall be everybody's loss . . . so that it would be a transfer of the loss from the person who now suffers it to the taxpayer at large, which I conceive would be a very great and wanton injustice." (Q. 102.)

(2) "*War premiums are an exaggerated measure of the risk incurred, for they contain a large scare element.*" The market for war risks is narrower than the market for ordinary risks, because it is much more speculative, but even among the fewer people who deal in war risks there is strong competition. People instead of making money out of scare risks have lost money by it. (Qs. 104-9.)

(3) "*Ordinary war insurance will fall most heavily on the poorest class of consumer, while national indemnity will fall upon the taxpayer.*" But "the proposed system lumps the 190 millions pounds' worth of food together with the 146 million pounds' worth of raw material, and the 191 million pounds' worth of luxuries and other articles not of prime necessity, and then claps upon the taxpayer the cost of all that may be captured." (Q. 113.) It would put an extra burden on the poor, hitherto borne by the consumer of the particular article. (Q. 116.)

(4) "*It will prevent an abnormal rise in the price of imported commodities, because there will be no war insurance to be included in the price.*" "But we have already been told that there will be no material diminution in the supply of these commodities. If that be so, it is hard to see how—war insurance or none—any abnormally high price can be got from the consumer. Again, if national indemnity does save the consumer from war insurance, it is only because it puts it upon the taxpayer at large." (Q. 116.)

(5) "*It will obviate the mischief of the 'free ship, free goods' clause of the Declaration of Paris by compensating British shipowners for capture, and by thus inducing them to avoid transfer of their ships to the neutral flag and to keep these ships running.*" But the result would be that the ship, instead of being laid up, would be captured, trading would be stopped, supplies to that extent would fail, and a vast sum would have been transferred from the taxpayer to the shipowner. (Q. 116.)

(6) "*The Admiralty would be much freer as regards naval strategy than if they were expected to provide convoys or were otherwise subject to pressure from the shipping community.*" But under an indemnity the shipowner would put no pressure on the Admiralty only because he would be in a heaven of voyages without risks, with a certainty of the fullest compensation where the risk would otherwise be greatest. "He would be in a riskless heaven, but where would the taxpayer be? In another place." (Q. 116.)

FURTHER DISADVANTAGES OF INDEMNITY.

(1) *Abnormal Values.*—It will be impossible to pay on actual values only. (Q. 119.) Thus in February, 1902, the Morgan Combine bought British ships of an aggregate of over a million tons, which they capitalised at £39,000,000. These ships were allowed to retain their character as British ships, and would be capturable by an enemy at war with Great Britain. Is the British taxpayer to be called upon to pay to the foreigner the £39,000,000 at which they were capitalised, or even "the much smaller sum at which I should value them, say £17,000,000?" If so, a neutral would have a strong temptation to buy another million tons and keep them under the British Flag, and come down upon us when they are captured for £17,000,000 to £39,000,000. "Nay, the very enemy subject might do it." (Q. 120.) He might get ships for £20,000,000, and yet be able to prove that they were worth £39,000,000. (Q. 122.)

(2) *Prize Courts.*—Under a system of national indemnity no owner or underwriter would fight for restitution as he does now. (Q. 122.) The Court would further be influenced by feeling that even if the prize were not the property of the enemy subject, nevertheless under an indemnity it would become so as soon as it was condemned. (Q. 123.)

(3) *Encouragement to Capture.*—"The interest of the State is not that supplies should be lost and paid for, but that they should be preserved and come into the country; not that shipowners and merchants should get cash, but that the nation should get the stuff. . . . What the State requires is not payment after loss, but security against loss; not national indemnity, but a national Navy, adequate in numbers (including cruisers), efficient in men, and set free once more to exercise all its powers." (Q. 126.)

(4) *Cost.*—The *value of the goods* involved would be in each year all that was landed in Great Britain during that year, and all that was exported during that year—in fact, all that is afloat during the year, and therefore exposed to capture at sea and entitled to be covered. In 1905 the total imports were £634,000,000 and exports £438,000,000, total £1,072,000,000. Of this, one-third was carried in foreign ships—*i.e.*, £357,000,000—leaving £714,893,000 liable to capture. (Q. 126.) In addition there is all the coastwise trade, so that the estimate of £715,000,000 "is a very moderate estimate." The *value of the ships* to be covered is an aggregate net register tonnage of British ships (1905) of 10,597,761 tons employed in the year; in addition 1,580,000 tons belonging to British colonies and possessions, and 176,000 tons for British fishermen, making a total under register of 12,354,000. This, valued at about £17 per ton, gives a total value of, say, £209,920,000, each making an average of five round voyages or ten single voyages out or in each year, and requiring to be covered ten times in the year at a rate per voyage. (Q. 127.) The war risks are put by Captain Inglefield at 2½ per cent., Mr. Douglas Owen at 10 per cent., and Mr. Leverton Harris at 5 per cent. In the case of a war with Germany my opinion is that the naked war risk would be even less than the lowest estimate of 2½ per cent. which is suggested by the experts, and would not exceed 1 per cent. per voyage. In the case of France it might reach 2 per cent. per voyage. In the case of the United States I think it would reach 3 per cent. These estimates are based upon what would be the total loss in a particular war, and are not estimates of insurance rates that might be charged in the open market. (Qs. 132-4.) Apply these figures to the £2,099,000,000 for ships, plus £715,000,000 for goods, making a total of £2,814,000,000, the cost in the case of war with Germany would be £28,000,000 per annum; in the case of France, £56,000,000; and in the case of the United States, £84,000,000. In the case of the U.S.A., the one-third of the property carried by neutrals, which has hitherto been excluded, would have to be reckoned, thus making the naked war risk in the case of war with the United States £94,710,000 a year. "The very lowest of these sums is staggering, and it is impossible not to ask whether it would not at once be cheaper, and more efficacious, and in all ways better, to take the

sum, whether it be £280,000,000 or £28,000,000, and spend it on the Navy; whether it is not better to have naval insurance rather than national indemnity; better security for the stuff rather than tax raised compensation for its owners." (Q. 135.)

(5) *Need of a State Indemnity Department.*—"The probability of such a Government Department managing adequately the tremendous and very difficult business with which it would be charged is small indeed—of managing it, that is to say, so as to protect the State not alone from the frauds, but also from the follies and mistakes of those shipowners who claimed against it." (Q. 135.)

(6) *Fraud.*—"The indemnity, like the rain, would fall equally upon the just and the unjust, upon the wise and the foolish. . . . The case of the ship specially indemnified by the Spanish Government which steamed straight into the enemy's arms at Santiago . . . would not be wholly unknown. . . . The proportion of losses by capture, when encouraged by a certainty of full compensation, would be greater than if there were no such certainty. . . . The risk to the State would be unknown; it would certainly be very great—it might be tremendous." (Q. 135.) A State scheme brings an additional risk (*i.e.*, of fraud and recklessness) with it over and above what the risk would be if it was met by ordinary insurance. (Qs. 145-147.)

(7) *Admiralty Regulations.*—"The complications and the exigencies of modern trade are such that it would be impossible for that trade to submit itself to any Admiralty regulations." (Q. 136.)

NEUTRALS AND CONTRABAND.

Any extension of the doctrine of contraband affects the position of the neutral. (Q. 148.) "But there is a very great difference between the statement of the Government of a State that they regard a certain thing as contraband, and the authoritative decision of a prize court, which alone constitutes it so." (Q. 149.)

III.

CONDITIONS.

If you had any system of indemnity, it would be absolutely necessary for the shipowner to subrogate all his rights to the State, so that the State might be able to sue in the name of the owner of the cargo and get it back. (Q. 210.)

BRIDGE, Admiral Sir CYPRIAN, late Director of Naval Intelligence. (Qs. 4788-4895.)

I.

DESIRABILITY.

"I can see that in the period of uncertainty, when the onslaughts and the acts of repelling them are only likely, some administrative measure may be indispensable. The object will be to encourage our merchant ships to continue running, and especially to get the food and raw material, which we cannot do without, safe into our ports." (Q. 4795.)

SHIPPING IN WAR TIME.

"The time during which our shipping will be exposed to risks, directly or indirectly connected with a state of belligerency, must be divided into at least two periods. The first will begin when the strain upon our relations with the future actual enemy has reached the point at which the outbreak of war may be regarded as nearly certain, and will end at the date—perhaps some four or five weeks later than the formal commencement of hostilities—on which the conditions dictating the necessary arrangements for the defence of our maritime commerce can be ascertained. The second period will start on the close of the first, and will last practically throughout the war. The first period will be one of uncertainty." (Q. 4791.) There would be a great Government demand made upon the mercantile marine on the outbreak of war, or just before it. The Japanese Government absorbed the whole of their mercantile marine at first; the figures ran into many thousands of tons. (Q. 4815.) The mere coal would take many thousands of tons. (Q. 4817.) If a ship were going about twelve knots, allowing for occasional bursts of high speed, 100 tons of coal a day would not be too much. (Q. 4818.) And then there is fresh water wanted for the boilers (Q. 4821) and ammunition (Q. 4822). In war British ships would cease to visit enemies' ports, but as some States would remain neutral, our shipping, if adequately defended, could continue to trade with them. "There is no reason why the conveyance of commodities from Brazil to Chili for instance should not continue to go on in British ships." (Q. 4809.)

THE PROTECTION OF COMMERCE.

Before the actual commencement of war, naval defence of commerce cannot operate directly. "Shadowing" the future enemy's men-of-war before hostilities begin will do something, but probably not enough to keep down the rate of insurance. Direct naval defence is permissible as soon as war has broken out, but is likely to operate with imperfect effect until the enemy has been obliged to show his hand. (Q. 4795.) The period of uncertainty before the war may last for a month or two, or a relatively long time "when you take into consideration the length of steamers' voyages." (Q. 4797.) It would be right that efforts should be made by the Admiralty to protect commerce even before the outbreak of war by "shadowing" the hostile cruisers. (Q. 4806.) During the Russian war of 1854-6 there was complete and unchallenged command of the sea by France and England, and in spite of that two or three Russian cruisers got out, and we must have some force detailed to deal with cases of that kind. (Qs. 4807-8.) After the outbreak of hostilities, when a fairly accurate conception of the enemy's methods has been formed, it would probably be found that no plan of defending our ocean commerce would be worth its cost, except that of active naval defence. (Q. 4811.) "The object of commerce destroying, as against this country, is to make the British Isles a blockaded area. How near they can get to that, of course, is uncertain, and depends upon our own Navy." (Q. 4834.) But the difficulties would be enormous in imposing anything like a real blockade on our coasts. (Q. 4836.) The Admiralty should take direct steps for the protection of trade, apart from operations against the enemy's battle fleet. "My impression is that the Admiralty exists for that purpose, that we should never go to war, either aggressively or defensively, for any purpose really but protecting our trade." (Q. 4840.) Of the operations to be carried out in war, the one—viz., to restrain the enemy's battle fleet—is essential, and the other—viz., to protect commerce, should not be neglected. (Q. 4841.) If we were at war with a Power whose battle fleet was considerably inferior to our own, we ought to have a considerable margin of strength to devote to the direct protection of commerce. (Q. 4842.) Commerce protection is certainly easier for us now than it was in the sailing days. (Q. 4843.) "I would draw a sort of parallel between" the requirements of the Navy and the requirements of the Metropolitan police force. They (the police) increase "with the area of valuable property, which would be more or less at the mercy of the burglars if there were not proper police arrangements made to meet them. I do not think the police force entirely depends on the

number of probable burglars; it depends on their number and activity, and also on the amount to be protected." (Q. 4852.) "If you base your war policy, so to speak, or your strategy, on the destruction of your enemy's commerce, you are making a mistake; but it is one of the things that does help to injure an enemy; therefore, if you make it a subsidiary element of your strategy, I do not think it is unsound. In the case of the United Kingdom, which is different from that of any other country, there is a greater justification for attacking our commerce than that of the commerce of other nations, because the object of the war would be to enclose you in a blockaded area. . . . If your supplies could be cut off, the fortress would fall, and the blockaded area would have to surrender. It is very unlikely that any foreign navy would be able to do that, but it would help to make us very uncomfortable. They would get, to some extent, a run for their money if they did it. There would be very great temptation on their part to do it; it would undoubtedly injure us to some extent." (Q. 4862.) It is not easy to understand why certain nations have outlying fortified ports, unless they mean that they should act as bases for ships of war that have got away previous to the outbreak of war to distant ports in order to attack our commerce. (Q. 4864.) The pressure of public opinion in a belligerent country would be more likely to force its fleet to go to sea than the fact that merchant ships were passing which might have been sent as a bait to lure them to destruction. (Qs. 4845-6.)

WAR RATES AND PRICES.

It is during the period of uncertainty that the rate of marine insurance will rise, and it may rise to a figure high enough to cause a great increase in the cost of imported commodities, not to mention the effect on the exchange value of commodities for exportation. (Q. 4791.) In all previous wars insurance-rates went up in the earlier part. "When the Government, through the Navy, did get properly to work, the rates went down. In the American War of Independence they never did get properly to work, and therefore the rates did not go down. But in the last great war they went down, and remained very little above the normal, I think. And curiously enough that was so in those trades which passed close to the enemy's ports, showing the belief, which was justified by the result, in the efficacy of the naval defence." (Q. 4881.) Rates will be raised in consequence of the action of speculation based on the apprehensions of shipowners and cargo shippers. (Q. 4795.) There will also be a probable rise of freights. "It is more a mental than an actual thing—the apprehensions of the shipowner as to the safety of his ship, and of the people who insure, as to what they will have to pay in case of loss, will make a double rise, and that may affect the price of commodities." (Q. 4803.) The price would rise, even though during the period of uncertainty the quantity of commodities coming into the market were not affected. (Q. 4803.)

TRANSFERS.

"There are two very serious obstacles in the way of that, one of which would probably be prohibitive. The first is the internal legislation of the different countries to which it might be proposed to transfer the ships. It is a thing that cannot be carried out very rapidly. Unless nearly all the neutral powers were suddenly to introduce legislation . . to alter their present laws, the transfer would not be practicable. . . The second obstacle is that if the neutral to whom the ships were transferred were not powerful on the sea, no really strong belligerent would acknowledge the transfer." A powerful neutral would be able to insist on the transfer being respected by the belligerent, but the transfer would have to be done immediately; it must be a question of hours, not of weeks. (Q. 4814.) In so far as the Government demands afforded employment to the unemployed marine, they would remove all temptations to transfer, or to lay the ships up. (Q. 4816.) It would be just as difficult for a neutral, in the event of our losing command of the seas, to get to this country, as it would be for one of our own ships, so that there would be no great object in transferring British ships to neutral flags in order to carry on trade to this country. (Qs. 4855-6.)

NEUTRALS IN WAR TIME.

"If we assume that the national guarantee would cover the ships, but not the neutral-owned cargoes, it is improbable that our shipping engaged in this particular trade would be much benefited, because foreign shippers would choose for the conveyance of their goods neutral vessels not liable to capture." (Q. 4809.) Foreign trade in British bottoms, such as that between Siam and China, might in time of war be taken up by some of the neutral States. (Q. 4810.)

WAR WITH FRANCE.

"There is no doubt that the geographical position of France, and certain of her outlying ports, is superior to that of any other country." (Q. 4866.) The nation that could do us the most harm would be France. (Q. 4872.)

WAR WITH THE U.S.A.

The United States, with regard to the other side of the Atlantic and part of the Pacific, are geographically favourably situated from a strategical point of view. (Q. 4856.) Their ships would be able to operate with immense advantage against the line from Canada to this country, and they would not be unfavourably situated with regard to the Argentina trade. (Qs. 4868-9.)

WAR WITH GERMANY.

She would not be able to attack the commerce from India, Australia, the United States, or Canada; but she could attack our commerce from the Baltic and part of the North Sea. (Q. 4871.)

LOSSES IN NAVAL WARFARE.

"Before the Royal Commission on Food Supplies I put the probable percentage of loss in a serious naval war at 5 per cent. per annum." (Qs. 4886-8.) The calculation was based on the loss of previous wars (Q. 4890), after making allowances for the fact that a good number of the so-called captures in previous wars were really arranged surrenders or sales. "If there were to be a chart of the world prepared, and every capture of every ship recorded on that, you would be astonished at the proportion which took place in the English Channel. That is a place which we certainly ought to have been able to defend, and facts have come out since that there were arranged transfers. . . It was said by Frenchmen that Napoleon's army was shod with shoes made in England." (Q. 4891.) But even the best estimate will be very speculative. (Q. 4893.) The trade between England and Ireland, and the coasting trade, were included in this estimate. (Qs. 4894-5.)

II.

NATIONAL GUARANTEE.

It is only during the period of uncertainty that a scheme of indemnity would be of any advantage. "But I would like to add that there is not much harm in it if it does not divert the public from the real true way of defending their commerce afterwards." (Q. 4823.) It would be an antidote to panic among the shipowning and ship-using community, and not in any sense an additional protection to trade. (Q. 4830.) No system of national guarantee will ensure the arrival of ships, or even help much towards making it certain. It was quite plain that during no inconsiderable part of the Russo-Japanese war no conceivable Government indemnity would have ensured the arrival of a store-bringing vessel at Port Arthur or Vladivostock. (Q. 4812.) "It is not the actual danger so much as the apprehension of it which might possibly lead to a laying up of the ships, and it would be extremely difficult to regain our position after that; and

it is in that period that I think the indemnity would perhaps help to keep things right." (Q. 4879.)

NATIONAL INSURANCE.

The object of any system of insurance primarily would be to keep down premiums of insurance. (Q. 4857.)

III.

THOSE ENTITLED TO CLAIM.

Indemnity would have to be extended to British ships wherever they were. (Qs. 4882-3.) It would defeat its object if it only applied to vessels coming to or going from this country. (Q. 4885.)

BRIGHTMAN, Mr. CHARLES E., of Turner Brightman and Co.; Deputy Chairman of the General Shipowners' Society, Chairman of the British Steamship Owners' Association, and Shipowners' representative on the Pilotage Board of the Trinity House. (Qs. 3130-3367.)

I.

DESIRABILITY.

Is in favour of a scheme of National Guarantee. Would prefer a scheme under which a premium could be charged on ships and cargo, "but I have looked at that matter very carefully indeed, and although I think that it could be done with regard to the shipping, it seems to me that it would be absolutely impossible to do it with regard to the goods." Gratuitous indemnity without payment of premium is therefore to be preferred. (Q. 3133.) The free policy is preferable to the purchased indemnity, but the free policy might be modified by charging during peace an annual premium on tonnage. (Q. 3245.) But ships and cargoes must stand together. (Q. 3366.) "If one is charged, both must be charged. If one is free, both must be free." (Q. 3367.)

SEA RISKS AND WAR RISKS.

These risks are not necessarily taken by the same parties. (Q. 3220.) It may perfectly well happen under present circumstances that there is no evidence to show whether a ship was lost through an act of war or through a marine peril. "Whenever there is a war there is always that staring one in the face." (Q. 3219.)

WAR RISKS.

A 10 to 20 per cent. rise in freights would not be a very serious factor if we were engaged in a great war. The rise would be probably more than that, but still might not be sufficient inducement to keep vessels running. (Q. 3163-5.) Shipowners would willingly accept an indemnity even with restriction, because the risks in the alternative of their sailing without a guarantee are so great. (Qs. 3148-51.)

MARKET FOR WAR RISKS.

Under present conditions it might be possible that after considerable losses a policy of insurance would not be accepted in war time by the bankers who are expected to finance the cargo, because the losses had been so large that the security of the policy was no longer a good one. (Q. 3258.) No association of underwriters could bear the risks if our fleet was defeated. (Q. 3237-8.)

SHIPPING IN WAR TIME.

There is a very small proportion indeed of Naval Reserve men in the Mercantile Marine. But there would be great difficulty in sending British ships to sea in time of war if the Naval Reserve and foreigners were withdrawn from them. (Q. 3261-3.)

COST OF LAYING UP SHIPS.

If a ship is laid up for any length of time the cost is comparatively small, because the shipowner pays everybody off, and puts merely a watchman on board, and insures for port risk at 1s. per cent. per month upon his value. (Q. 3153.) The average shipowner, or managing owner, is generally better off than the shipowner in old days, and is not so much inclined to play double or quits in time of war as he used to be. (Q. 3159-60.)

ATTITUDE OF OTHER INTERESTS.

Free compensation of one section of interest would be likely to be regarded as inequitable by the community at large. (Q. 3337.)

TRANSFERS.

A tax on ships on the United Kingdom Registry for the purposes of an indemnity might possibly cause the transfer of British ships to the Indian or Colonial Registry to avoid the tax. (Q. 3185.)

PROTECTION AND INDEMNITY ASSOCIATIONS.

There are clubs which issue policies in time of peace which are inoperative until time of war. (Q. 3289.) "One with which I was connected charged £1 per boat per annum, so I leave you to judge whether that would be much use." (Q. 3291.) In the North of England Association 2d. per cent. on the value entered is charged, which is more than £1 per boat. (Q. 3294.) But in the event of war occurring these clubs would be unable to cover the risks, because "those who are in trades where the war is likely to affect them would naturally want to be covered, and those who are not will not, and will not pay for those who do." (Q. 3296.)

II.

NATIONAL INSURANCE.

Shipping could afford to pay 2s. 6d. per cent. upon the value of the ship. (Q. 3134.) If imposed, this tax should be compulsory, and not optional. (Q. 3135.) But funds so raised might be accumulated in the hands of the Government as an insurance against war losses. (Q. 3136.) It might lie in the vaults of the Bank, or be invested. (Q. 3137.) If invested, the Government would be a seller of its own stocks when the losses occurred, and would probably have to issue further new loans, which might be inconvenient from a financial point of view. (Q. 3138-40.) If the shipowner were charged more than a very nominal sum there would be considerable opposition. It would not be possible to charge the shipowner more, and leave him to distribute the addition in the form of a little increase in his freights. (Q. 3142.) A tax of 2s. 6d. per annum would amount to about £275,000 a year. (Q. 3230.) On a big ship worth £100,000 the extra cost would be £125 a year. (Q. 3231.) On the P. and O. fleet, which is worth about £6,000,000, the charge would mean £7,500 a year. (Qs. 3313-14). The charge would be on insured value (Q. 3249) both for sailing and steam ships. (Q. 3251.) If such a tax had been put on at the close of the Napoleonic wars, shipowners might have paid it for a century without getting anything out of it. (Q. 3229.) If a tax were put upon cargo it might drive the cargoes to the Continent, since the margin of profit is often so very small. (Q. 3170.)

SCHEME B.

State insurance on payment of a premium, if the premiums were not very high, is to be preferred to nothing. (Q. 3353.) A rate of about 2½ per cent. on the longest voyage would not be prohibitive. (Q. 3357.)

III.

CONTROL.

The Admiralty should give instructions about taking certain routes, and shipowners if they did not conform should not be covered. (Q. 3187.) Shipowners and cargo owners suffering through wrongful non-compliance of the captain with Admiralty orders should be indemnified. (Q. 3211-12.)

SCHEME A.

There would be no difficulty in the shipowner notifying the prescribed Department his intention to sail, and furnishing such particulars as might be required. (Q. 3193.) Payment should be made upon the insured value for marine risks, unless it is shown that that value is excessive. A committee of four or five would be able to judge of its fairness. (Q. 3195-6.) A shipowner should not be allowed to take out a further policy against war risks if he had already a State guarantee. (Q. 3197.)

VALUE OF CARGO.—It would be reasonable to take this as the value at the port of shipment, plus insurance and freight to port of destination. (Q. 3209.)

If there was a committee that they could trust, bankers would be content with the knowledge that there was an indemnity, even though the value of the goods had to be fixed after the loss. (Q. 3204.)

COMMITTEE OF CLAIMS.—A shipowner, a merchant and a member of Lloyd's, a representative of the Board of Trade, and perhaps one other commercial man, would make a sufficiently good Committee of Claims. (Q. 3205.) No appeal should be allowed from its decisions. (Q. 3207.) If appeal was allowed the Law Courts would be full. (Q. 3303.)

SETTLEMENT.—Settlement should be prompt, and in cash. (Q. 3216-7.)

COLONIES.—India and the Colonies should look after themselves. (Q. 3182.)

DELAYS.—Loss due to delays should not be paid for. If paid for "the bill would be a very, very heavy one." (Q. 3188.)

ESTALL, MR. THOMAS, General Manager of the National Provincial Bank of England. (Qs. 3811-4009.)

I.

DESIRABILITY.

"I am quite against a national guarantee." Possibly Government might guarantee to pay risks above a certain amount, say 10 to 20 per cent. (Q. 3841.) "On the whole, I am very much opposed to the State doing anything in the matter." (Q. 3932.) "Whatever indemnity you give does not get the food here. Getting the food here is the whole crux of the thing." (Q. 3953.)

BANKERS' INTERESTS.

The Indian banks are much more interested in cargo and shipping than the English bankers. (Q. 3874.) Though English bankers do a considerable amount in advances on shipping in course of construction—that is to say, bills upon the purchaser for whom the ship is being built are discounted, extending in currency from a period of one to four years. (Q. 3878.) The quantity of bills representing vessels at sea held by English banks is a very moderate proportion of the bills in the market, and probably only a moderate percentage of the value of ships afloat during the first five years of their life. (Q. 3942-3.)

MARKET FOR WAR RISKS.

The market is amply sufficient to undertake the business that would be offered in time of a serious naval war. (Qs. 3816-17, 3964.) It is large enough to meet abnormal losses. A banker would not feel any disturbance at the idea that the policies issued would not be honoured. (Qs. 3993-4.)

GOLD RESERVES.

The amount of gold that foreign nations have, compared with ten or twelve years ago, is extremely large, so that the withdrawal of gold would not be so necessary in time of war. The increase of gold of the State banks of the world since 1894 is £350,000,000. The United States has £150,000,000 more of gold than in 1894; England has only £4,000,000 more than in 1894. (Q. 3895.) At the present time there is very little German or French money here, but there is a good deal of Japanese and Australian. The Japanese money was borrowed from ourselves. (Qs. 3898-3901.)

SHIPPING IN WAR TIME.

"On learning of the declaration of war, ships would attempt to make a safe port, and the departure of ships in harbour would be delayed until the cargo and shipowners had made arrangements for insurance against war risk, which would satisfy the bankers, brokers, etc. . . . The charges would be much more onerous, and the extent of the facilities greatly curtailed." (Q. 3814.) The operations of those who purchase commercial bills drawn against cargo would be restricted. (Q. 3882.)

WAR RATES.

A very considerable rise, which would interfere seriously with business, is to be expected in time of war. (Qs. 3820-1.) But a premium of 15 per cent. would not be sufficient to stop trade. (Qs. 3823-4.) The initial rates in time of war would be settled by the public estimate of the strength of the Navy. (Q. 3913.)

PRICES IN WAR TIME.

Half the rise of prices might be attributed to other causes, and half to the immediate war risk. (Q. 3828.) Anything that kept the insurance market down would, of course, affect prices, but it would not have any moral effect of a steadying kind beyond that. (Qs. 3839-3840.)

FOOD SUPPLY IN TIME OF WAR.

Out of four-fifths of the food supply for which we depend upon outside sources, fully 30 per cent. comes through the Mediterranean, though it varies enormously in different years. (Qs. 3950-1.) American

wheat arrives mostly in August and September. (Q. 3959.) Supplies from Argentina and the Cape arrive principally in January, February, and March. (Qs. 3960-1.)

TRANSFERS IN TIME OF WAR.

Ships could not be transferred while they were on their voyage. There would be very great difficulty in getting the flag changed after a boat had left, and certainly considerable difficulty in getting ships transferred before they left. (Q. 3844.) The vendee must take possession before the capture, and it is doubtful whether neutrals could find sufficient capital at such a time for such a purpose. (Q. 3845.)

THE NAVY.

"The whole thing is a question of the strength of the Navy absolutely. There is no argument about it. The whole food supplies, the whole commerce, and everything, entirely depends upon the strength of the Navy, and the number of cruisers capable of protecting our commerce. That sums up, in my opinion, the whole thing." (Q. 3912.)

FRAUD.

"There would be a great deal of fraud, of course," under an indemnity. (Q. 3855.) Invoices might be loaded; the wheat imported might be weevil wheat, or bad wheat, or no wheat. "You might pay for wheat, or you might not. There would be a tremendous opening for fraud." (Q. 3856.) The amount of consigned wheat from Australian ports to this side is very small indeed. It is all sold before it is shipped, which would make it very difficult to prove the amount paid for the cargo. (Qs. 3854-5.) Fraud would come in more in the valuation of cargoes than in the valuation of ships. (Q. 3866.) Everybody is apt to consider the Government fair game. "We have seen a good deal of that in the South African war." (Q. 3872.) The Government have not the experience of the insurance companies and Lloyd's, and though perhaps they might obtain expert assistance, it would not be equal to the machinery which has been in existence at Lloyd's for generations. (Qs. 3888-9.)

PANICS.

No form of State guarantee would prevent a panic. (Q. 3978.)

ATTITUDE OF OTHER INTERESTS.

A State guarantee would be unfair to other interests. (Q. 3859.) Probably the income taxpayer would pay for national indemnity. (Q. 3864.) Any system of indemnity is a preference in favour of shipowners and merchants, as against the general community. (Q. 3970.)

II.

NATIONAL GUARANTEE.

Mr. Estall's Suggestion.—If the Government guaranteed to pay the risks above a certain amount, it might make competition keener between the insurance brokers at first, and so tend to keep down the prices. (Q. 3884.) It would not be more equitable that the Government should pay the underwriter all his losses above a certain amount, but it might be more workable. (Qs. 3885-6.) But "it is full of objections, I admit. I do not put it forward as an alternative in any way. I merely put it forward to modify a little my total objection to the whole thing." (Q. 3887.) "The Government would not be any more expeditious than the present machinery. . . . I should expect them to be very much more slow." (Q. 3907.)

GRATUITOUS INDEMNITY.

If the Government gave a gratuitous indemnity, they would have a right to dictate the terms on which they gave it, and their having that right would deter a banker from taking it. (Q. 3984.)

III.

CONDITIONS.

Policy.—"We should, I think, want to know what the Admiralty instructions were before we valued that which they gave in return for it. You might make your instructions impossible." (Q. 3849.) The greater the difficulties, the less the value of the guarantee. (Q. 3850.) The document should relate to the particular ship and transaction. (Q. 3852.) "I should like a practically unconditional policy." (Q. 3924.)

GIFFEN, Sir ROBERT, K.C.B., F.R.S., formerly Controller of the Board of Trade. (Qs. 2971-3129).

I.

DESIRABILITY.

"Indemnity in certain cases, and on strict conditions, would not be open to the same objections" as a gratuitous indemnity for all routes. (Q. 3033.) "It is hardly a scheme that I suggest. It is a sort of limitation with some reservation that this sort of thing might be tried, but I am not very much in favour of it at all." (Q. 3043.) "I am not sure that on the whole there ought to be a national indemnity. I am not much in favour of the idea generally." (Q. 3050.) "My opinion is on the whole that employment would continue, and that shipowners and merchants would take all the risks incidental to the business. If there was a necessity for higher premiums there would be freights corresponding, and they would be able to afford the risk. I believe there would be no cessation of the British flag from the seas at all in almost any conceivable war. Of course, if we should be defeated at sea a different situation would arise altogether." (Q. 3051.) The grant of a State indemnity would not have any very great effect upon the continuance of our trade or upon the prices of our supplies of food and raw materials. (Q. 3058.)

VALUE OF BRITISH TRADE.

"The value of British trade and shipping exposed to risk of capture in one year may be put at not less than £2,000,000,000." (Q. 2972.) Of which the most important items are: Imports £608,000,000, exports £461,000,000. While the tonnage of the steamers belonging to the United Kingdom is 9,000,000, which at £20 per ton gives a total value of £180,000,000; and sailing ships 1,600,000 tons, valued at £7 10s. per ton, amount to £12,000,000; bunker coal and provisions represent £20,000,000; giving a total value of £212,000,000. The tonnage figures are the net register tonnage, which is a great deal less than the figures of gross tonnage, and of course rather more valuable. (Q. 2972.) Fifty millions is calculated as the trade between England and Ireland. There is also a vast trade in coal by sea between different parts of the United Kingdom, no less than 20,000,000 tons being shipped coastwise. (Q. 2972.) The estimate of £100,000,000 for the whole coasting trade of Great Britain and the coasting trade between Great Britain and Ireland is probably much under the mark. (Q. 2974.) The estimate of the value of cargoes in British ships trading between foreign countries, or between foreign countries and British possessions is, roughly, £600,000,000 (Q. 2972);

a large part of the business of importing and exporting of the principal foreign countries being done by British shipping. (Q. 2979.) About a third or a fourth of the value would be afloat at any one time. (Q. 2996.) The figures would differ in every trade. Thus the amount afloat at one time in the trade between England and the Continent is very small in proportion to the total trade, while the amount afloat at one time in our trade with India and Australia is very large in proportion to the total trade. (Q. 2996.) The amount afloat depends upon the length of route and the time taken upon a particular voyage (Q. 2998); and would vary at different times of the year, though the principal item, shipping, is almost always at sea, and would not vary so much. (Q. 3000.) If you take a trade across the North Sea, where it is only about a night's run, you would have to divide by 365, and in the case of the Channel by 700. (Qs. 3001-2.)

COMMERCE IN WAR TIME.

War means a large demand for certain goods on account of the Government, but it also means a stoppage of business in various directions. (Q. 3025.) Some portion of trade must cease at the outbreak of war because it is a trade carried on with the enemy. Every calculation will be affected on the outbreak of war on account of the cessation of trade with one side or the other. (Q. 2981.) The disturbance of trade would be so great that the mere rise in freights due to war risks would be practically a negligible quantity. (Q. 3057.)

PRICES IN WAR TIME.

"It does not appear to be the case that a state of war would lead to a general rise in prices. It leads to a rise of prices in particular articles, according to particular circumstances, which require to be very carefully considered; but on the whole a state of war might lead to forced sales and things of that kind, that would cause a general fall of prices instead. For instance, take the case of the United States, the result might be an abundance of certain articles owing to the United States supply to this country being stopped; they would try to sell their articles in other markets, and cause a fall of prices in those markets by which we should benefit. I see no cause for a general rise of prices in consequence of war." (Q. 3058.) There might be large rises in certain directions due to apprehensions of captures, but in other directions, as on the Stock Exchange, there would be a great tumble in prices on the outbreak of war. (Q. 3070.) Prices do not rise necessarily in time of war unless the production of the particular article is stopped. (Q. 3076.) "I attach great importance to the fact that the price of wheat did not rise during the American Civil War, although at that very time the price of cotton rose so extravagantly." (Q. 3108.)

PROTECTION OF COMMERCE.

"My feeling is that the Admiralty may be too much under the impression that what they have got to do is to beat the enemy, but the other element of preventing certain evil consequences from the war is also very important, and ought not to be lost sight of." (Q. 3084.) The damage involved in a particular military occupation might from a military point of view be comparatively small, but from an intellectual and moral point of view it might be very considerable, and should be taken into account from a strategical point of view. (Q. 3129.)

WAR WITH GERMANY.

If we were at war with Germany there would be a cessation of the export of about 10 million tons of coal, and a stoppage of other things as well, because Germany is a customer in this country for between £30,000,000 and £40,000,000 worth of goods. (Q. 3020.)

WAR WITH THE UNITED STATES.

In the case of the United States, distress would arise from our inability to buy our food or raw materials. In the case of the other countries, it would arise from our inability to sell or produce to the extent we had previously done. Inability to sell would probably be a greater cause of distress than want of raw materials or food, which are obtained from a very wide area. (Q. 3022.) Apart from military and naval operations, non-intercourse with the United States would involve interruption of supplies of food, cotton, copper, silver, leather, and other commodities, and would largely diminish our export trade. (Q. 3004.)

PANICS.

"My opinion is that in a great maritime war there would be danger of financial and banking panics with their attendant losses. . . . I should say that the first disastrous effect of war between this country and a first-class power like Germany or the United States might not improbably be a panic of unprecedented dimensions, and the suspension of specie payments as in 1797. I may mention in this connection that the United States suspended specie payments in 1861 and 1862, and France suspended specie payments, and enacted moratorium for bills in the war of 1870." Apart from the interruption of trade, a state of war would involve, at first at least, large gold withdrawals from London. The Polish War of 1831-2, the Revolution of 1848, the Crimean War, the American Civil War, the Austro-Prussian War of 1866, which was partly the occasion of the Overend panic of that year, the panic at the outbreak of war in 1870 between France and Germany, the Russo-Turkish War of 1877, and to some extent the Russo-Japanese War are instances in point. (Q. 3004.) We might not have the money coming to London in the same way for security as money has come in former wars in which we were not engaged. (Q. 3005.) Take the case in 1870. "The first act of the bankers was to protect themselves, and to call in the money, and a good deal of the money being in London it was called in from London. That caused a great apprehension, and the result was one of the biggest panics on the Stock Exchange which the Stock Exchange has ever known . . . in the first week of July, 1870. But immediately after, when things began to quiet down, the same bankers who had withdrawn their money suddenly to protect themselves against immediate demands, of which they were apprehensive, sent back the money to Lombard Street, and Lombard Street was choked up with money while the war between France and Germany was going on. . . . The two things are not inconsistent, the first sudden demand when there is a breath of difficulty . . . and the subsequent sending of money to London for safe security." (Q. 3010.) The custom of foreign countries coming so freely to London is one peculiar to London. There is no other market to which the bankers are accustomed to come for immediate cash as they are accustomed to come to London. (Q. 3014.) It is the only market where they can make sure of getting gold. Foreign bankers in good credit have means of taking money from London even when they have no actual cash there. (Q. 3016.) "In the time of panic we should not be thinking of indemnity at all. The question would be whether anybody could live through, and also, when it comes to a question of suspending specie payments, what would you pay the indemnity in?" (Q. 3060.)

WAR PREMIUMS.

War insurance, especially at the outset of war, cannot be regarded as anything like a scientific business. It is more like a case of treating a panic. (Q. 3089.) Figures for the great war at the beginning of the last century have no value in these days. (Q. 3092.)

MARKET FOR WAR RISKS.

It is doubtful whether the market would be quite able to insure £600,000,000 worth of British trade at one moment. Many people insure themselves even in time of war. (Q. 3112.)

TRANSFERS IN WAR TIME.

Transfers would have to be on such an enormous scale that there is no conceivable possibility of it. "I believe that as far as the transfer to neutral flags is concerned, there are hardly any neutral flags to which the ships could be transferred, not owing to our regulations, but owing to the regulations of most foreign countries. For instance, as the legislation in the United States at present stands, no British ship could

be transferred to the United States flag." (Q. 3053.) "I think we must take the trend of legislation in most countries as it actually is, and assume that there could be no transfers to the neutral flag of the United States, if the United States were a neutral." (Q. 3055.) There are also mechanical difficulties in the way, and it might take a long time to make the transfers of particular ships. (Q. 3056.) There need, in any case, be no apprehension of transfer to any great Power that would afterwards be a competitor with us in marine trade. "There might be a transfer of ships to neutral flags under weak Powers, but not a transfer to any considerable Power, partly because there are no arrangements at present for such a Power to accept the transfers." (Q. 3078.)

FINANCE AND SHIPPERS.

A prudent banker would not finance anything that was uninsured, and would also require to be satisfied with the insurance. (Q. 3114.)

II.

LIMITED INDEMNITY.

After war was declared a certain number of areas and routes would be absolutely safe, either at once or very soon. There would be relative safety on others where shipowners and merchants might be encouraged by the promise of indemnity. Certain outlying routes would be neglected, or left to the adventurous. "An indemnity thus limited need not be impracticable on account of the expense, but whether the shipowners would care for it or not is a different question. Then I think it would be reasonable that persons wishing to be indemnified should pay a small contribution, partly as a restraint upon unreasonable ventures, and partly because those receiving the indemnity obtain a special advantage as compared with the rest of the community, which is equally suffering losses." (Q. 3044.) The contribution should be quite sufficient to make a shipowner consider seriously whether it would not be better for him to do without it, or trust to his ordinary insurance. (Q. 3045.) It should be such a figure as would prevent excessive premiums, but not such a figure as to make it too easy for the shipowner or the merchant. (Q. 3046.) "I think I am not at all opposed" to a Government system of insurance at fixed rates varying with different journeys. (Q. 3094.) The trade could probably stand maximum rates on the longest zone amounting altogether to 2½ per cent. in a time of emergency, although it is a very high rate indeed, and would add considerably to the price of things if it was done now. (Q. 3095.) The trade would be in such difficulties "that you could hardly do very much by special expedients" of this kind (Q. 3097); though they might have a steadying effect at the beginning of hostilities. (Q. 3098.)

GRATUITOUS INDEMNITY.

"I do not like a free indemnity." (Q. 3093.)

Cost of a Universal Indemnity.—"To give a universal indemnity against capture, if the figures are at all near the mark, would mean that 1 per cent. of captures in a year would run to an indemnity of £20,000,000; 2 per cent. £40,000,000; 5 per cent. £100,000,000, and so on. Even ½ per cent. of captures would be £10,000,000 sterling." In three months, or other short periods, the figures would still be large. One per cent. of captures in three months would be £6,000,000; 2 per cent., £12,000,000; 5 per cent., £30,000,000. (Q. 2993.) These figures include the cargoes and values of the ships captured. For short periods there is the value of the ship once stated, and then the proportionate amount of cargo for three months. (Q. 2994.)

III.

CONDITIONS.

Control.—"I cannot conceive a State indemnity with the shipowner at liberty to do what he likes." He would have to follow Admiralty directions exactly. (Q. 3100.) There would be many difficulties in control, for how can you control voyages from Dover to Calais? "We will say an enemy's cruiser is there in the forenoon; a British cruiser comes up and sends it away, and a voyage which was dangerous in the morning is safe in the afternoon." (Q. 3041.) An indemnity ought not to be given on a route where there can be no medium between certainty of capture at one time and absolute safety at another. Such routes are Dover and Calais, Liverpool and Belfast, or the Red Sea or the Mediterranean. (Q. 3033.)

Payment of Claims.—"Power might be given by a general Act of Parliament to the Privy Council to issue an order authorising the Treasury to pay indemnities on capture of ships and cargoes, subject to conditions as to conforming to Admiralty rules and regulations and Treasury rules and regulations, either stated in the Order, or to be issued in further pursuance thereof. Probably an Order in council would always be necessary to give effect to rules and regulations of the Treasury and Admiralty." (Q. 3049.) The cargo should be indemnified as well as the ship itself. (Q. 3121.)

GOW, Mr. WILLIAM, Underwriter, Union Marine Insurance Company, Liverpool.

(Qs. 2407—2661.)

I

DESIRABILITY.

Opposed to any scheme of National Guarantee. (Q. 2410.) There would be an interruption of commerce during war, "but I do not see how it would be overcome by a system of National Guarantee." (Q. 2411.) A National Guarantee "would not be so much more efficient than the system now prevailing that it would be worth while for the country to undertake it." (Q. 2471.) "A free indemnity might be so costly as to cause a general rise of expenses throughout the country; and, in that case, there would be an addition to the prices from that cause alone, so that that itself might to a certain extent countervail the apparent advantage got from the free indemnity." (Q. 2529.) Though, on the other hand, it might to some extent keep down prices by eliminating the increased cost of insurance. (Q. 2530.) But further protection is desirable, because "I do not think that any system of indemnity, or any payment of cash will ever make up to this nation for the want of the food on which we live, or the want of the raw materials which we have to work up, so that anything which brings about the delivery in this country of those things is worth encouraging by every means in our power." (Q. 2658.)

PRICES IN WAR TIME.

It is the opinion of men in the cotton market and the grain market that the rise in prices which would occur in war time would be "incomparably greater than any amount of war premium that could be imagined." (Q. 2412.) In the end the equation between supply and demand controls prices. (Q. 2433.) Speculation would probably be greater in the im-

minence of war than during the course of it. (Q. 2434.) But it would be advisable to keep down the war premium because, though all prices will rise, the English merchant will have to pay a higher price, say, for his cotton, by the amount of war premium than the Spanish buyer, and the Englishman would to this extent be at a disadvantage. (Q. 2591-2595.) It is possible that food might be cheaper for our rivals in consequence of our going out of the market (Q. 2642), because producers might not value the stocks on their hands so highly when they discovered that two great markets were closed to their operations. Storage in their own country would be an extra expense to them. (Q. 2632.)

MARKET FOR WAR INSURANCE.

It is probable that some underwriters who have written risks so far ahead that they thought they might run off before a war commenced, might not care to adopt risks when they saw war in the immediate future. (Q. 2451.) But "I do not think that a merchant has ever yet had to go without cover. He had not to do so in the time of the great war, and I do not think that, comparatively, the insurance facilities are less now, when compared with the amount of produce and tonnage floating, than they were then." (Q. 2449.) Generally speaking, the market for war risks is smaller than the market for ordinary marine risks. (Q. 2450.) "I think the operations of commerce would be more seriously checked during the few weeks before the outbreak of war than on the actual outbreak of war. I think the markets would be restrained very close indeed, for, say, ten days before the outbreak of war, and after the outbreak of war people would begin to think of business again." (Q. 2559.) At the outbreak of war, before any capture, the market might be large enough to absorb the loss of a swift liner across the Atlantic—say, £750,000—but supposing two or three captures occurred in one or two days, it might be more difficult to cover this sum. (Q. 2599-2602.) "But there are many grain cargoes and cotton cargoes from Canada and the States—Montreal, St. John, N.B., New Orleans, Baltimore, and Philadelphia—that do not reach to that figure, so that the market would not be contracted on their account." (Q. 2609.) Even after captures the market might still cover a quarter of a million. (Q. 2611-2612.) It is possible that as the premium went up, it would bring out more writers. (Q. 2604.)

WAR PREMIUMS.

"I imagine that if a North Atlantic war were imminent—a war with a first-rate Power—we might have a five-guinea rate. I think there is more chance of the risk being pitched high now than some time ago." If rates started high they might work back just as in overdues. It has been noticed that instead of the rate commencing at two or three guineas it jumps up to five or seven at once, and then works back. (Q. 2606-7.) The rate after several captures in the early weeks would probably rise to thirty guineas. (Q. 2610.)

NEUTRALS IN WAR TIME.

It is possible that produce might rise for reasons not connected with war premiums, and that nevertheless the advantages of shipping in a neutral bottom might be so great as regards both risk and cost that our shipping would be unable to find freight. (Q. 2413.) The war premium paid by a belligerent over the war premium paid by a neutral is tantamount to a bounty which the neutral has got. (Q. 2649.) There is no doubt that in the beginning of a war there would be great additional employment of neutral tonnage to the detriment, or exclusion, of British ships. (Q. 2414-15.) Since the Declaration of Paris, the advantage of the neutral is very much enhanced. In the great French war the neutral was very little safer, if at all, than the belligerent ship. It was equally harried, and searched, and seized, but since the Declaration of Paris there is a broad line of distinction between the two, and all to the advantage of the neutral. (Q. 2425.) In the case where a shipowner has to decide whether or no his vessel shall be employed in a particular venture, the rate for war risk becomes "a very important point indeed." (Q. 2430.)

TRANSFERS IN WAR TIME.

It would be to the interest of the neutral to facilitate transfers to their flag. (Q. 2416.) And an enemy might be satisfied with the loss inflicted upon us by the transfer of our shipping, without trying to follow up that shipping after it had been transferred. (Q. 2419.) The difficulty in the way of transference lies rather in the state of the law than in the magnitude or difficulty of the commercial operation. (Q. 2423.) So long as the Declaration of Paris prevails there is a greater possibility of transfer, and a greater risk of it than in any war of which we have had experience in the past. (Q. 2427.)

SPANISH-AMERICAN WAR.

The fact that neither belligerent was very much dependent on oversea supplies, and that the war was not on a sufficiently large scale, makes it impossible to infer from that war what would happen in future. "The only thing one did observe was a very sudden rise in the price of cigars. . . . Good cigars were unobtainable." (Q. 2438-40.)

SOUTH AFRICAN WAR.

This war had the general effect of driving up prices of charter parties and the freight all round. On the outbreak of a naval war there would certainly be a great demand by Government for freight for Government purposes. (Q. 2441-2.)

ALTERNATIVE SCHEME.

Government would be better advised to pay in some form a bounty, or give an encouragement on those cargoes which do arrive, rather than to indemnify shipowners and merchants for those which are lost. (Q. 2472.) The actual delivery of food stuffs and raw materials might be encouraged by the payment of the whole, or of a proportion of the war premium that has been paid by the parties interested in a successful venture. (Q. 2474-5.) Premiums would not be raised, because every arrival would knock them down, and the cost of such a scheme would probably be quite as cheap as making payment on losses. (Q. 2631.) No payment should be made except to "the British shipowner alone. If the cargo of a British owner comes in a neutral bottom, I think that cargo is entitled also to the rebate, but I do not know that the owner of a foreign neutral vessel carrying a cargo is." (Q. 2661.)

CRITICISMS.

If payment is made on arrivals, the State would but add to the profits which the merchant has already secured from enhanced prices. (Q. 2478.) Repayment of insurance would probably be the least part of the expenses of a successful voyage. (Q. 2480-1.) The risk of putting more on to the war premium and less on to the marine risk need not be feared. (Q. 2489.) The general effect of the bonus would simply be to increase the value of cargoes of ships on arrival, and it might be insured like any other part of the value of the ship, unless it were made illegal to do so. (Q. 2536-38.)

II.

SCHEME A—CRITICISMS.

General.—"Scheme A would involve such an amount of looking after the shipowner and cargo owner—in fact, looking after the venture—that the shipowner and cargo owner would be more hampered in their operations, and would find themselves in a more difficult position than under Scheme B." (Q. 2613.) Free Indemnity "seems to me a very, very wide cover to grant, one that would be a costly cover for the Government in the end, I think." (Q. 2629.) "You might have a ship that was so burdened by debt at the time of the commencement of the war that it might be an extremely good sale (*i.e.*, to have it captured and in-

demnified). You might have a vessel with engagements before her of such an unprofitable kind that they would be sure to leave a loss, which would be wiped out by the loss of the vessel. No doubt the inducement to deliberately get rid of the vessel would be diminished (by payment only of the value of the ship before war broke out), but you would not clear away that difficulty altogether." (Q. 2457.)

SCHEME B.

In England the premium is paid on the nail; it is not in France. In France premiums on hulls on time are paid eleven months after the risk commences. (Q. 2550.) But in any system of war insurance, prompt payment would be an absolutely essential feature. (Q. 2551.) If a fixed rate is enforced it might be either grossly inadequate to the risks that were run, or else it might turn out to be grossly exaggerated. "In one case the State would be greatly underpaid for the risk it was running; in the other case the State would be overcharging for it." (Q. 2554.) It would be impossible to base any conclusion on something like an average derived from the last period of a great war, that there would be within a year such-and-such a percentage of captures. The growth of steam power, the change of the method of propulsion, the independence of most tonnage from wind and wave, and the opening up of new routes, have made inferences from the past impossible. (Q. 2555.) "If a scheme like B could be devised and properly worked, it might have a steadying influence." (Q. 2573.) "Certainly it is more economical than Scheme A." (Q. 2562.) "When people have to pay for a thing they take more care of it than when they get it for nothing." (Q. 2614.) But it would be very difficult, no doubt, to get underwriters to act as authorised agents for the Government after the outbreak of a war. (Q. 2618.) "If the thing is to be done at all, it has got to be done in time of perfect peace. An expensive department has to be formed, and kept up, we hope, for many years before it is needed at all, and it must be just as ready to undertake its operations on the threat of war as our Navy is." (Q. 2619.)

III.

Persons Entitled to Claim Indemnity.—The words as they stand would permit an enemy subject to derive benefit, and I suggest that the clause should run, "the British owner of, or the British or neutral shareholder in any ship registered in the United Kingdom," for this would leave out of the Scheme of British National Guarantee any enemy shareholder or person interested in a vessel registered in the United Kingdom. (Q. 2493-8.)

Losses to be Covered.—"I think it would be wise to introduce the words, 'Loss or damage proximately caused by capture, seizure, detention, etc.' . . . According to the decisions of the English Courts, that have been upheld for 150 years anyhow, the underwriter is only liable for losses immediately caused . . . by the perils against which he insures. . . . For instance, in the case of produce, we pay for loss of produce, but we do not pay for loss of market." (Q. 2499-2500.)

In the note to Clause 2 "one or two words ought to be added to exclude enemy ports from permitted destinations I suggest" instead of the "country of" destination that the words "British, colonial, or neutral" should be inserted. (Q. 2504.) This would make the document quite clear, even though the words might be held to be unnecessary owing to their being covered by the proclamation ordinarily issued at the outbreak of a war, prohibiting the King's subjects from giving aid or comfort to the enemy. (Q. 2505.)

Value on which Indemnity should be Paid.

(*a*) *Value of Ship.*—In Section IV. the proper insured value to take is the insured value of the ship as defined by the Marine Insurance Bill of 1906, rather than the value of the ship at time of capture. The purpose of the Clause in the Act was to fix the value in case no value was agreed in the policy. The statutory value of the ship is the value described unless otherwise stated. This Clause reads: "In insurance on ship the insurable value is the value, at the commencement of the risk, of the ship, including her outfit, provisions, and stores for the officers and crew, money advanced for seamen's wages and other disbursements (if any) incurred to make the ship fit for the voyage or adventure contemplated by the policy, plus the charges of insurance upon the whole. The insurable value in the case of a steamship includes also the machinery, boilers, and coals, and engine stores, if owned by the assured, and in the case of a ship engaged in a special trade, the ordinary fittings requisite for that trade." (Q. 2506-9.) There is considerable difficulty in arriving at the value under this Clause after the loss has taken place. (Q. 2512.)

(*b*) *Value of Cargo.*—The clause might be made clearer by saying, "plus ordinary free of capture and seizure insurance"—that is, ordinary peace insurance—"and freight to port of destination so far as prepaid." It might happen that no freight had been prepaid, and should not therefore be included in the value of the cargo. "Supposing cargo is bought at the port of Antwerp you pay an Antwerp price for it. If you pay the freight on loading the cargo before the ship sails, that value is put into the cargo's value; there is no freight at risk. On the other hand, suppose your freight is payable at destination in the United Kingdom, say Bristol or London, the amount of value which is exposed to loss is the Antwerp cost, plus a fair profit, brokerage, or whatever it may be, but excluding the value of the freight, which is never at the cargo owner's risk at all until it is delivered." (Q. 2514.)

As regards the note to this clause, the word "only" should be taken out after the word "shipowner" in line 5, and the words "charterer or person controlling the vessel, also the shipmaster, or other officer in charge" should be added, because instructions might not be conveyed through the shipowner at all. They might be conveyed to the shipowner, who might have no means of enforcing them upon his charterer, unless he makes arrangements in his charter to have that power of enforcement. (Q. 2518.)

VALUES.

In war time the market value of individual ships rises considerably. (Q. 2447.) In ordinary business underwriters feel a difficulty in opening the question of value. "They would rather have the fight when the policy is being made, than have any question raised regarding the amount of their obligation afterwards." (Q. 2461.) The underwriter prefers the highest value he can get a shipowner to quote until the stage "of what we call moral hazard" is reached. (Q. 2467.) "In the case of total loss a man receives, say, 5 per cent. on the line he takes—say £1,000. It is all the same to him whether that £1,000 is part of £30,000 or £50,000, so long as the £50,000 is not an obviously exaggerated and untrue value. On the other hand, when we come to consider the question of average or damage, if the vessel is valued at £50,000, the man who writes £1,000 pays one-fiftieth, and if the vessel is valued at £30,000, the same underwriter for the same damage pays one-thirtieth, so that obviously it is to the advantage of the underwriter to get a real value, not an exaggerated or diminished value." (Q. 2462.) The building price of a ship is usually ascertainable, and one can allow for depreciation, and for rise or fall of value owing to increase or diminution in the value of tonnage in the meanwhile—the ordinary value apart from depreciation. (Q. 2586.)

HARRIS, Mr. F. LEVERTON, Insurance Broker and Shipowner. (Q. 493-693.)

I.

NEED FOR A NATIONAL GUARANTEE.

"What appeals to me most is the risk in time of war of interference with the import of raw materials into this country and the export of the finished article, and the great social danger which would arise in this country in the event of our supply of raw materials either being cut off or raised to such a price that we, as an industrial nation, would be unable to compete with rival manufacturers in other countries." (Q. 498.) Employment is more important than food supply, because "a working man in this country, if he were getting wages, could well afford to pay twice the price he has to pay for his food at the present time." (Q. 504.) At the time of the American Civil War there were on the 27th December, 1862, just upon half a million of people out of work in Lancashire alone, which shows the effect of war upon the import of raw material. (Q. 505.) There is also fear that the high rates of war insurance might drive our trade into the hands of neutrals. (Q. 503.) Supposing the circumstances were not such as to send up the war premium at all there would not be the slightest necessity for either national indemnity or any other scheme of the kind. (Q. 520.)

CONDITIONS OF MODERN WARFARE—PRIVATEERING.

"If we were at war with a great Power we should find that all the regulations about privateering are not worth anything. Take an imaginary case—that we were at war, say, with Germany. Germany would purchase, we will say, in Buenos Ayres, or in Valparaiso, or in any part of the world, any fast steamers they could get. They only want one antiquated gun that will throw a 3in. shell 250 yards—that is all that is needed—and that vessel, for the purpose of destroying commerce, is just as effective as the best battleship. You put a crew on board, she is put into commission, she flies the ensign of the country that is at war with us, and she goes out on the high seas. . . . Put her on any of our great trade routes. . . . The mere fact of a vessel having to pass that route and not being heard of for some time would put up the rate of insurance to a very high figure on all vessels supposed to be in the neighbourhood, and would even affect the insurance on vessels about to leave China, Australia, or India, or vessels known to be at sea." (Q. 633.) The captured crew would be taken off, and the vessel sunk. (Q. 634.)

SHIPPING IN WAR TIME.

There would be great difficulty in obtaining crews for British vessels during war time, and no insurance or indemnity scheme would get over the difficulty. British vessels subject to capture would have to pay much higher wages. (Qs. 612-614.) Neutral vessels carrying contraband are not necessarily in a better position than belligerents. "It has never been decided whether the neutral ship is not liable to be returned when she is carrying contraband of war." Lord Lansdowne said to the Chamber of Shipping in 1904 that "Neutral traders may carry on trade, even in contraband, with belligerents, subject to the right of capture of the goods," but it was held by Japan that the ships were also liable to capture, and they have not returned them. (Q. 578.)

TRANSFERS TO NEUTRALS.

Transfers in peace are easy. "A certain firm in the City of London wished to employ a steamer in a particular trade. They were, however, prevented by what was considered a rather obsolete regulation. It was with regard to the carriage of coolies from a certain country to another country, and by an old regulation made a considerable number of years ago the particular business was prohibited. . . . A clerk was sent over to Belgium; he registered a limited company there, and put up a brass plate on the door of an office. The limited company bought all the shares in this steamer; automatically she was removed from the British register, and she became a Belgian ship. The whole thing was done, I think, in four days without the slightest trouble." (Q. 507.) When a country has lost a trade it is very difficult to get it back again. (Q. 639.) After a few captures by the "Alabama," two-thirds of the United States tonnage was transferred to Great Britain, largely because the war risk was uninsurable, even though the captures had been comparatively few. (Qs. 637-8.) For the British manufacturer alone it might be the cheapest thing that transfers to neutrals should take place. (Q. 604.) There would not be much difficulty in raising money for the purchase of British ships in time of war. German and other foreign shipowners would probably get as much money as they wanted if they could see a large profit. (Qs. 610-11.) There was no transfer from the Japanese flag to a neutral flag in the time of the war between Russia and Japan. (Q. 607.) There was even a good deal of purchase by Japan of British ships. (Q. 608.)

MARINE INSURANCE—WAR.

"It is absolutely fruitless to attempt to fix any sort of standard rate, or any imaginary rate at all." (Q. 503.) "Take the Japanese and Russian war. We have got cases where for the same voyage within a very few weeks, simply owing to the risk having increased, the rate has gone up from a few shillings to 50 or 60 guineas per cent. . . . If it were known at Lloyd's that a fast commerce destroyer was in the Atlantic, you would have the rate on Atlantic voyages a great deal above 5 per cent. for the war risk, both on the ship and on the cargo." (Q. 521.) "I think the loss of one ship might temporarily raise insurance rates to a very extreme point, provided that the vessel was still at large which had captured that ship." (Q. 548.) In the beginning of war the insurance market is not sufficiently large to cover risks. In the evidence given by Julius Angerstein before a committee that sat in 1821 on Marine Insurance, just after the wars, it was stated that at the beginning of the war the market was a very small one, there was not sufficient scope in it to absorb war insurance, but by the end of the war the underwriters at Lloyd's were taking lines running up to £10,000 a name, and the profit that was made was very large. "If there were war to-morrow the war risk market would not absorb a fiftieth part of the business to be done, but presently it would gain confidence." (Q. 636.) The tendency in war is to overrate risks. (Q. 551.) "The mere report that is published in the paper to-day" that 55 per cent. of the vessels in the war area were captured during the recent Naval Manœuvres will probably have its effect on the next war. (Qs. 631-2.) "It is a very curious thing that in the eighteenth century the insurance rate on a neutral was higher than the insurance rate on the belligerent, for the reason that the belligerent had the protection of convoy and the neutral had not. Of course, then the flag did not cover the goods." (Q. 579.)

INCIDENCE OF WAR RATES.

Assuming that there is a 5,000 ton "deadweight" steamer, valued at £30,000, carrying 5,000 tons of ore, and that the insurance rate is five guineas per cent., and that the vessel goes out in ballast to Spain, and comes home with a cargo of iron ore to this country, the extra insurance on the steamer would amount to £3,150. That is five guineas per cent. for the voyage out and five guineas per cent. for the voyage home, on a value of £30,000. If the ore is valued at £4,000 and charged with five guineas per cent., that is an additional £210. The value of the ore is consequently raised from £4,000 to £7,300, and the additional charges fall upon the purchaser of the ore. (Q. 503.) Just as the consumer of the cargo would pay the additional cost of war insurance, so the consumer would get the benefit of any State guarantee. (Q. 523.) The consumer does

not save—or saves only very little—by shipping in neutral bottoms, because the neutral shipowner will try to get every penny he can in the way of freight, and the height of that freight will only be limited by the point at which the British shipowner can come into the market. Competition between neutral shipowners would not keep the price down, because neutral shipping is only half the shipping of the world. (Qs. 524-6.)

PRICES IN WAR TIME.

Mr. Bowles, in saying that the effect of war on prices of corn in this country from the end of the 17th to the end of the 18th century was that they were lower during the time of war than they were in times of peace, omitted to mention that in those days we exported corn largely, and that the effect of war was often either that corn could not be exported, or that a prohibition was put on the export of corn, the result being "that you had a surplus of corn retained in this country, and the price consequently fell." (Q. 691.)

II.

INDEMNITY VERSUS INSURANCE.

"I am in favour of indemnity because insurance, though making the evil less aggravated, does not remove it." (Q. 527.) Any form of insurance would probably tend to drive British shipping to neutrals. The premium would be paid by the consumer, and although it might give something back to the taxpayer, it would all be taken out of the consumer's pocket. (Q. 534.)

PAID-FOR INDEMNITY.

"I do not say that it would not be possible to have some scheme of variable premium, but I do not think any scheme of universal premium would be possible." (Q. 529.) Though there would be no objection to a sort of stamp duty, say something as low as a quarter per cent. (Qs. 531-2.) Economically, shipowners could afford to pay something, but everything they paid would do more damage either to the country itself or to British shipping than the good that the country would obtain from such a payment. What they paid would in fact be the measure of the difference in favour of the neutral shipowner. A very small handicap often means a tremendous change in the centre of gravity of trade. (Qs. 564-5.) State insurance by compartments at variable premiums would be absolutely unworkable. (Qs. 628-9.) British shipping might pay sufficient to counteract the bounty which a gratuitous indemnity would give it, because in war time even neutral ships between neutral ports pay something for war risks. (Qs. 647-51.) A steady maximum payment would certainly tend to prevent panic. (Q. 569.) But a variable premium would involve the creation of an underwriting department. (Q. 568.)

SCHEME C—CRITICISM.

It would be desirable to put the same penalties upon the neutral as compared with the British shipowner if it could be done, but it could only be done in British ports. (Qs. 599-600.)

III.

PERSONS ENTITLED TO CLAIM INDEMNITY.

Indemnity should be given to ships and to cargoes carried by vessels engaged in trading between British ports, and, if possible, to cargoes in British ships carried between neutral ports. (Q. 544.) It would be necessary to pay foreigners. "Probably foreigners would not ship by British vessels if you did not insure them." (Q. 683.) It is so difficult to fix the ownership of cargo, that "what you would find would be that if you put any restriction, if you said that goods in a foreign name on board a British vessel were at a disadvantage as compared with goods in a British name on a British vessel, you would find that all the goods went automatically into a British name. I think for political purposes there would probably have to be restrictions. That is to say, the House of Commons would say, 'Why are we going to indemnify foreigners? We will exclude foreigners. But you would find, when the actual event occurred, there would be no foreigners." (Q. 690.)

VALUE ON WHICH INDEMNITY SHALL BE PAID.

"The great difficulty will be the difficulty of fixing value." (Q. 536.) It will be greater than that of fixing values for insurance purposes because in an indemnity the State is giving something free, whereas for ordinary purposes of marine insurance the value of the ship is a matter of arrangement between the underwriter and the shipowner. Thus:—"Two shipowners own two sister steamers. One has been very unfortunate in her trading, the other has been very fortunate. The one that has been fortunate has had large sums of money put to the writing down of her value, and she is insured for a comparatively small sum . . . say, £20,000. The other vessel has been unfortunate, and her value has not been written down . . . and she is insured for £40,000. They are exactly sister ships. The difficulty that I think would occur, supposing those two vessels are captured, would be this: In one case the State pays one shipowner £20,000, in the other case the State pays the other shipowner £40,000." The man who has got £20,000 will complain. In ordinary insurance the man who insures his vessel for £20,000 escapes so much premium, as compared with the shipowner who insures at £40,000. It suits him to do it. But the other shipowner cannot afford to insure for less than £40,000, as the capital of his company would not be intact supposing the ship were lost. (Q. 537.) "Marine insurance values are very curious things. . . . The value for which a vessel is insured for marine risks is no indication of the vessel's real value. Very often it is 50 per cent. higher, sometimes it is much lower." (Q. 654.) "As a rule, the shipowner tries to make his value as low as possible; he wants to pay as little premium as possible, and the underwriter tries to make the value as high as possible." (Q. 655.) Experience and practice in marine insurance would be no guide for insurance purposes of indemnity, but "there would be no difficulty in getting expert opinion from people whose business it is to sell or value steamers, which would be within 10 per cent. of the value of the steamer." (Q. 656.) The cargo is very easy to value, since in all the great cargo trades prices are regulated by everyday quotations. (Qs. 540-1.) Even during the progress of war the values of vessels alter considerably. (Q. 662.) The shipper should not be allowed any profit on his cargo, but his freight, if he has had to pay it, should be included. He would have to insure the profit on his cargo separately. (Q. 542.) The value ought to be taken as the valuation at the commencement of the war. A shipowner should not have the benefit from a rise in value on his vessel due to the war. The value would have to be fixed between the Government and the shipowner before the sailing of the vessel. "A man must know what he is going to get. Take a vessel that is heavily mortgaged—say a vessel that is worth £40,000—and she is mortgaged for £30,000, the mortgagees will not let that vessel sail until they know what the Government has got to pay. It will not do to leave that till afterwards." (Qs. 665-6.) There would have to be offices in London, Liverpool and Newcastle, perhaps, and so on. (Q. 668.) Valuation would probably be a matter of a week or two's arrangement, but in nine cases out of ten this would not hinder business. (Qs. 670-1.) Values cannot be settled after claims, because if a mortgagee does not know what he is going to get if a vessel is lost, he may say that he will not let the vessel sail. "A mortgagee simply lends money; he is not taking really a trade risk; he is lending money on the value of the vessel." (Qs. 673-7.)

REGULATION.

Vessels at sea could not be interfered with. Admiralty restrictions could only come into force before the cargo was shipped. (Q. 659.) The State should refuse to take the risk in particularly dangerous areas. A scheme in which the ship and cargo owner should contribute to the extra risks in such areas might be workable. (Qs. 554-5.)

HILL, Mr A. NORMAN, Secretary of the Liverpool Steamship Owners' Association. (Qs. 3613-3810.)

I.

THE LIVERPOOL STEAMSHIP OWNERS' ASSOCIATION.

It is very largely a liner association, and owns 3,600,000 tons of steam shipping. (Q. 3614-15.) The peculiarity of the Association is that it holds a large proportion of the big ships and the fast ships. "Last year we owned 37 per cent. of the total number of British shipping afloat of a speed of 12 knots and upwards, and 43 per cent. of the total number of steam vessels above 5,000 tons." (Q. 3615.)

DESIRABILITY.

The Association thinks that a State scheme of indemnity against risks of war is absolutely necessary if the over-sea trade is to be carried on effectively. (Q. 3619-20.) Shipowners and merchants are wanted "to do their work in war time as they do it in peace time, for the same pay." (Q. 3747.) Eliminating all question of the cost of the trade, even with Admiralty control, it would not be carried on as freely under existing conditions as it would be under an indemnity. (Q. 3777.)

SHIPPING IN WAR TIME.

In time of war there would be sufficient neutral shipping to take up a large proportion of British trade if British ships are not available. (Q. 3727.) If freights rise, and if all other charges remain pretty much the same, shipowners would prosper in war time much more than they do now. (Q. 3753.) "I believe there would be a great many vessels laid up to begin with. It is quite common form in debentures of shipping companies to provide that in the event of war the vessels which are given as security for the debenture-holders must either be insured against war risks or they must be laid up." (Q. 3757.) It would depend to a certain extent on what routes were kept open by the Admiralty whether trade would be carried on in war as in peace. (Q. 3759.)

TRANSFERS TO NEUTRALS.

Nearly all the legal difficulties in the way of transfers can be sailed round. (Q. 3626.) "The form would be an actual transfer of ownership, but the probabilities are that the original owners would still have some substantial interest in the ship." (Q. 3627.) When a preference was shown from a Customs point of view to all cargoes imported into the Spanish West Indian Islands in vessels under the Spanish flag a good many transfers were made in order to obtain the benefit, but the capital in the boats was British, though the flag was Spanish, and there was a nominal Spanish owner, who discharged all obligations to his State. Trade was carried on year after year in competition with really Spanish-owned vessels in the same trade. (Q. 3629.) If all formalities are duly regarded, it is very difficult to get behind transfers of this kind. (Q. 3631.) The maintenance of supplies and the distribution of our manufactures is of the first importance, but the maintenance of our shipping is also a very important consideration. (Q. 3632.) The fact that neutrals would have to pay some war insurance would be a factor in preventing transfers. (Q. 3732.) Supposing that ships were transferred to the United States, a European Power would think twice before bringing the U.S.A. on its back by disputing the validity of those transfers (Q. 3784), even though they could not be made without an Act (Q. 3786), and would deprive the enemy of England of the opportunity of inflicting a loss on her. (Q. 3788.) The United States would be relieved of heavy loss in respect of all the United States cargo which might be carried in those ships across the Atlantic, and they could justify themselves by saying that they were recognising transfers in order to protect their own cargo and their own exporters. (Q. 3788.) The country would not suffer if only the shipping and not the capital was transferred, except that the home port "has a decided tendency to follow the flag. . . . If the shipping is transferred to a foreign flag gradually the tendency seems to be that the home port comes to be in that country . . . . where the ship finishes her voyage regularly." (Qs. 3792, 3794.)

SEA RISKS AND WAR RISKS.

"The shipowner who has the two policies—one the ordinary policy and the other the policy against capture—has at the present time the risk of falling between two stools, and that risk (under a scheme of indemnity) we should like to see clearly covered." (Q. 3686.) Even though a war policy under a scheme of indemnity excluded any marine risks whatever, whether caused through deviation or not, it would be very difficult in a voyage policy on goods to know exactly what clauses to put in to cover marine risk due to deviation at the Admiralty's orders. (Q. 3690.)

FRAUD.

Fraud is not checked by Acts of Parliament. (Q. 3745.) But many Acts facilitate fraud. (Q. 3746.) It would therefore be inadvisable to allow payments under an indemnity to be made on the basis of any value which the shipowner registered. (Q. 3744.)

II.

NATIONAL GUARANTEE.

Arguments in Favour of.—(1) A rise in insurance would affect the whole of our over-sea trade, the receipt of the raw material, and the distribution of our manufactures; and (2) would give a preference to foreign shipping and inducements to transfer to a neutral flag. (Q. 3624.) The justification for a gratuitous indemnity would appear to be that the loss is one which falls upon the country as a whole, and the "idea of charging any particular industry for it seems to be repugnant to the principle of the indemnity." (Q. 3662.) It would be impossible to distinguish between the claims of the cargo-owner and the shipowner in giving a free indemnity without running very serious risks in the interests of the country. (Q. 3715.)

Arguments Against.—Neutral ships would have to pay war premiums, and would put the extra charge on to the freights if they could. (Q. 3802.) British ships sailing from neutral ports would probably get, at any rate, some portion of the increased freight which the neutral ships had to get. (Q. 3803.) It is possible that if no premium was charged on British shipping, British shipowners would not only benefit by the absence of the premium as compared with the neutral ships, but they would also benefit by some additional freight which they would be able to secure in competition with the neutral ships. (Q. 3804.)

SCHEME A.

Scheme A affords a better basis for a working scheme than Scheme B. (Q. 3685.)

NATIONAL INSURANCE.

If the contribution exacted from the shipowner was so moderate as not to be any inducement to ship in a neutral vessel, then the shipowner might pass it on through his freights until it gradually reached the consumer. (Q. 3641.) This might be a convenient form of taxation (Q. 3645), but it would not fall equally on all. (Qs. 3648-51.)

A Registration Tax.—The Liverpool Association have never considered a tax on shipping collected in time of peace with a view to providing a guarantee fund in war. (Q. 3652.) A tax of one-eighth per cent.,

bringing in from £200,000 to £300,000 a year, would be a substantial charge on the earnings of the British Mercantile Marine. "If it is assumed that the capital invested in British shipping earns 5 per cent., then an annual charge of one-eighth per cent. on such capital would represent an annual charge of 2½ per cent. on such earnings." (Q. 3657.) A small charge like an eighth per cent. would be very difficult to pass on in time of peace, but if it came to war the chances are that the shipowners would transfer it through the freights on to the cargoes that they were carrying, subject only to the restraint of competing with neutral ships. (Q. 3659.)

Zone Rates.—Any charge by zone rates would be transferred to freights. (Q. 3742.) Assuming that the rate for the longest voyage, say from London to Australia, was 2½ per cent., it would be a big tax on trade, since it would amount to about 10 per cent. per annum, being 2½ per cent. out and 2½ per cent. home twice over. (Q. 3738-9.)

III.

CONTROL.

It would be a condition of any indemnity that the ship should follow whatever regulations were laid down by the Admiralty. (Q. 3668.) Shipowners would be prepared to put up with restrictions in consideration of receiving the indemnity. (Q. 3669.) But it would be most unfortunate if the Admiralty were too cautious in their instructions, since what is wanted is to get the ships and the cargoes through. (Q. 3770.) Trade would be carried on more freely in vessels subject to indemnity, even though they were restricted by the orders of the Admiralty, than it would now under ordinary Admiralty protection, as far as it can be given without incurring any responsibility. (Q. 3777.)

THOSE ENTITLED TO CLAIM.

"There ought to be two categories, one sailing within the indemnity and one sailing without the indemnity; and if the cargo-owner had not clearly agreed to put his goods on a vessel sailing outside of the indemnity, then I think the shipowner should be responsible to him." (Q. 3671.) It would be a matter of contract. (Q. 3672.) It would be best for the cargo-owner if the State were responsible to him; the State to have recourse against the shipowner. (Q. 3673.) The shipowner should be held covered, and should not forfeit his right to the indemnity because of the misconduct, or the negligence, or the stupidity of his servants. (Q.3675.) Indemnity should cover all British vessels in whatever trade they were engaged, including voyages between foreign countries. (Q. 3635-6.) If only the voyages out and home were covered "we may lose very profitable cross voyages on the way, and we shall have to increase the freights out and home." (Q. 3637.) It should apply to all cargo in British ships, whether it were British-owned or not. (Q. 3809.)

LOSSES TO BE COVERED BY INDEMNITY.

Deviation is commonly allowed now, if a clause is put in, and extra payment made. (Qs. 3692-3.) But deviation in consequence of war might be a very different matter, and the premium asked for the deviation under the orders of the Admiralty might really, in effect, amount to a war risk insurance. "In other words, besides getting your indemnity from the State, you would have in all these questions of deviation to pay a war risk premium." (Q. 3696.) Commercial deviation in peace time is arranged for under a clause that the underwriter and the assured have to agree to the additional premium. "It is a difficult kind of clause; it works extremely well in business, but when you have something that neither the underwriter nor the assured contemplated when they made that policy, you have very awkward factors brought into existence, and I do not quite know how they would agree on a reasonable rate." (Q. 3698.) In peace time, say that a ship takes its charter for Queenstown for orders, and it is agreed that the orders must be within certain limits, between certain ports in the United Kingdom or on the Continent. She insures that voyage for all those possible endings by her policy, and there would be no deviation at all under that policy, since she keeps within that policy whichever port she is sent to. (Q. 3703.)

ADDITIONAL INSURANCE.

A shipowner should be allowed to insure against war risks if he pleased. (Q. 3679.) "As a matter of business, I do not think you would gain very much by" preventing him from doing so. (Q. 3684.)

VALUES.

"In the case of ships, I would suggest that it should be the cost less depreciation at the rate of 5 per cent. per annum, and in the case of goods, it should be the actual cost plus actual disbursements made on account of freight, insurance, and similar charges." (Q. 3704.) Not very many ships will run for 20 years. (Q. 3706.) "The advantage of taking cost as compared with value appears to be that cost is capable of exact proof. Value is always a matter of opinion. If you took it on the basis of cost less depreciation, and then left a certain latitude to the shipowner at his own expense to cover any special points of value which affected his own particular ship, I think it would be a perfectly fair basis for compensation." (Q. 3707.) A shipowner should not be given any value he chooses to register. (Q. 3744.)

BOARD OF CLAIMS

Boards of Claims should be established in Liverpool, in Glasgow, Newcastle, and London to deal promptly with claims. (Q. 3708.) They should be put into the position of the board of an insurance company. If they are put into the position of arbitrators their hands would be tied as to the manner of investigating the claims. If the owner of the ship or cargo is dissatisfied with their decision, he should have a claim in law as against the Board or against the Fund. (Q. 3709.) "We think that the Law Courts would be a much better tribunal to deal with any cases of fraud than any Board could be, or any informal arbitration." (Q. 3712.)

COLONIAL LIABILITY.

Colonial ships should come under the indemnity if the Colonies paid for all the losses of their ships. (Q. 3722.)

JEANS, Mr. R. W., Manager of the Bank of Australasia. (Qs. 4146-4256.)

I.

DESIRABILITY.

Some form of national guarantee is desirable in order to prevent shipments being stopped in time of war, or transferred to foreign bottoms. (Q. 4160-1.) And also because of the fear that the insurance market would not be large enough to cover the various shipments. (Q. 4237.)

BANKERS' INTERESTS.

In time of war underwriters would probably hesitate to accept risks, and bankers would begin to think that underwriters were taking very large risks, and that it was necessary to exercise caution. (Q. 4237.) When hostilities appear imminent, a banker becomes anxious about his insurance. (Q. 4150.) His interest is generally in the cargo, and not in the ship. (Q. 4151.) If the Government is to deal directly with the

insurer, the banker must have a document. (Q. 4236.) The effect on the money market would be less if the Government came into it as a borrower to cover losses under an indemnity, than if underwriters were called upon suddenly to realise their securities. (Q. 4250.) The issuing of new Consols by Government would have a less disturbing effect upon the market than the sale of old Consols by private individuals, though it is a matter of degree, and "if the losses became very heavy, necessarily the realisations would have to be very heavy; in which case . . . it would cause a steadily depreciating market to a much greater extent than if an issue was made by the Government." (Q. 4253.)

RATES IN WAR TIME.

Rates in the past have sometimes been somewhat onerous, but not sufficient to prevent free insurance. (Q. 4156.) The rates have been over-extravagant for the risks that were run. "I think sometimes that the risk is more imaginary than real, but it serves the purpose for making an extra charge to cover the insurance." (Q. 4157.)

FRAUD.

"I think the Government would certainly run no more risk than the ordinary underwriter, and less probably." (Q. 4190.) It is the practice more or less now with insurance companies and underwriters to avoid prosecutions, as throwing away good money after bad. The Government would not take that view, and a knowledge would exist on the part of the fraudulent person that there were ample funds to pursue him. (Q. 4189.)

II.

NATIONAL GUARANTEE.

Mr. Jeans' scheme.—To avoid heavy clerical work, it might be possible for the Government not to deal directly with the public. (Q. 4180*.) Some portion of the risk should be left to the underwriter if he was employed as an agent, in order to secure that reasonable care should be exercised. (Q. 4186.) The shipper would go to the underwriter and take out an ordinary marine policy, and then apply for a war policy. (Q. 4254.) The underwriter would take the ordinary marine risk, and would give a policy covering, say, 10 per cent., or a fixed percentage, of the "Capture and seizure" risk. (Q. 4243.) Thus the ship is covered at the ordinary marine risk, plus a small percentage. (Q. 4248.)

III.

CONTROL.

The Government would protect themselves by prohibiting sailings on various routes, and even delaying the departure of a vessel, so as to minimise the risks. (Q. 4172.) If the Government were not prepared to pay a loss incurred in continuation of a voyage, it would be necessary to prevent the ship sailing, in order to protect the holders of documents on the ship. (Q. 4207.)

POLICY.

Bankers would always require a policy of insurance against capture. (Q. 4155.) "The insurance as a rule, especially on cargoes, is paid for by the consignee—at least, that is my experience in the Australian trade—and he naturally expects when he gets the other documents to see that he is properly covered by insurance, and it would be necessary to give him some certificate to that effect." (Q. 4173.) It would not be sufficient for the banker to know that if the vessel complied with some Admiralty regulations it would automatically come under the terms of a State guarantee. He would have to bring evidence of that fact to his customer. (Q. 4175.) Each venture, and each interest in the venture, would require the Government to issue a separate certificate. It would be a very difficult business, and a very large staff would be necessary. (Qs. 4176-8.) When a shipper in Australia offers a documentary bill for negotiation, he attaches the bills of lading, and either the policy of insurance or a certificate from the underwriter that the risk had been declared on an open policy; the proportion declared being held in turn by him to the bank. (Q. 4215.) In the Australian trade the statement of the shipper is not accepted in the case of goods. (Q. 4217.) There would be an enormous amount of labour in issuing policies, and the difficulty might be to find anybody to give his time to conduct a thing for what must be a temporary service. (Q. 4239-40.)

ADDITIONAL INSURANCE.

Shipowners and merchants should not be allowed to have the benefit of both Government and Lloyd's insurance. (Q. 4165-6.) Though if the Government only guaranteed the actual value, including the charges incurred in getting the goods to this country, that would still leave the shipper uncovered for his profit, and he should be allowed to effect an insurance with the underwriters for that. (Q. 4227-8.)

JONES, CAPTAIN HARRY, R.N., Assistant-Director of Naval Intelligence, formerly Head of the Trade Division of the Naval Intelligence Department. (Qs. 250-492.)

I.

DESIRABILITY OF NATIONAL GUARANTEE.

If nothing is done, the cost of food will be increased to an avoidable extent in time of war. (Q. 268.) The industries of the people will be checked, and their purchasing power reduced. (Q. 270.) Shipowners will be under strong inducement to part with their vessels, and the most marketable would be the fastest and best ships. (Q. 271.) "If the State agrees to bear the loss due directly to the action of the enemy, the preservation of private property at sea will be approximately assimilated to the preservation of private property on land, and effect given to a principle more important to our nation than to any other." (Q. 271.)

NATIONAL GUARANTEE AND THE NAVY.

It would be an additional inducement to the country to maintain an efficient Navy. (Q. 274.) "The more perfect the Navy as to efficiency and as to organisation, the less the cost of the liability on account of a system of national insurance or guarantee." (Q. 273.)

NATIONAL GUARANTEE AND THE ADMIRALTY.

(1) The greatest advantage of a guarantee would be to leave the Admiralty unhampered by private interests. (Q. 276.) (2) It would enable the Admiralty to control the movements of mercantile shipping in war, though "I may say that I do not anticipate that

without this national indemnity we shall have no control at all, because I believe we shall be able to do what is required with the help of Lloyd's." (Q. 281.) (3) It would enable secrets to be kept more easily. If underwriters have constantly to assess risks in time of war they "will naturally try to find out all they can about the movements of our own ships and of the enemy." (Q. 285.)

TRANSFERS TO NEUTRALS.

In a great naval war there would be strong inducement to transfer. (Q. 288.) The regulations of different States about the right of bearing their flags are contained in municipal laws, which can be changed as soon as there is any advantage to be gained by altering them. (Q. 289.) A belligerent will always do what it is his interest to do. (Q. 292.) The greatest danger is to be apprehended if our enemy and a strong neutral are acting in collusion. (Q. 468.) "Suppose we were at war with France, and France and Germany agree by a secret understanding that they are going to ruin our shipping trade, and bring us to our knees in that way, then the belligerent, France, will not interfere with the neutral trade, in order that the transfer may be facilitated, and our ruin brought about." (Q. 302.)

LOSSES IN WAR TIME.

The heaviest losses are to be anticipated only when the enemy takes up a policy of a *guerre de course*. This might equally happen in either the earlier or later stages of war. (Qs. 448-9.)

ADMIRALTY EXPERIENCE OF INSURANCE.

In the Naval Manœuvres, 1906, "it was suggested, in order to enable the Mercantile Marine to take part, that we should ask the shipping that was passing across the Bay of Biscay from England to Gibraltar and back again to play the game with us, we paying any of their expenses for demurrage for lengthening the voyage, because they would be told to deviate to a certain extent. Apparently, that was very simple, and if the underwriters had not come into the question it would have been merely a matter of bargain between the Admiralty and each individual owner. But . . . immediately a ship deviates from her direct course between two ports the insurance policy is vitiated . . . . . Also there was the danger of claims by the owners of cargoes. . . . The difficulties were far greater where the ships had general cargoes than where they had complete consignments. The ships going from Cardiff with coal only were comparatively simple to deal with, but with the Liverpool ships particularly, which do a more general trade, and have numerous owners of their cargoes, the difficulties were much greater." It was proposed to surmount them by taking out an insurance policy for the Admiralty risk, the Admiralty assuming the risks due to deviation and claims on cargoes, and so on. The risks were covered by a policy taken out at Lloyd's for £10,000,000. A comparatively small proportion of the shipping came in—practically none from Liverpool. (Q. 317.) The work on the settlement of claims was very small, and settled with little difficulty. "Admiralty officers met some experts from Lloyd's, average adjusters and so on, and they were settled with very little difficulty," except in the case of the "Torrington." (Q. 319.) This ship, on leaving Cardiff on her way to the Manœuvre area, came into collision. The claim is still being discussed (December, 1906), because Government must protect itself legally, and cannot settle matters in the way in which underwriters do. (Q. 320.)

II.

INDEMNITY AND INSURANCE.

Gratuitous indemnity is to be preferred to insurance on payment of a premium. (Q. 294.) Under indemnity nothing need be done except levying the necessary taxation, until a ship is captured. (Q. 298.) Collecting premia is not Government business. "If you levy insurance premia, it does not matter how low the premia are, it means a subsidy to neutrals which will eventually be paid by the inhabitants of this country." (Q. 299.) An indemnity gets rid of the whole objection of neutral advantage, while insurance gets rid of only part of it. (Q. 368.)

SCHEME C

was prepared in the Intelligence Branch of the Admiralty. (Q. 310.) There is absolute difference between Scheme A and Scheme C (Q. 401), in that Scheme C insists that payment should be made by the State only where minor risks have already been insured by underwriters. The advantage of this clause is that you would have the underwriters on the side of the Government in preventing fraud, the disadvantage is that it means interfering with the liberty of the subject to a certain extent. (Q. 457.) Under Scheme A notice has to be given by the shipowner. (Q. 402.) Under Scheme C there is no machinery between the individual and the State until the former chooses to make a claim. (Q. 400.) The cost to be met in part by a tonnage tax or by dues levied on British and neutral shipping. (Qs. 323-4.) Only direct losses of war to be paid for. (Q. 325.) A British ship and British cargo trading between neutral ports to be covered, but neutral cargo in these circumstances would not be indemnified. (Qs. 327-329.)

PITT'S CONVOY ACT OF 1798

"forms an admirable precedent for the lines on which the funds should be obtained." This Act (1) laid down regulations for the merchant ships under convoy, and fines for disobedience; (2) provided funds from a tonnage due levied on British and neutral shipping either clearing or entering British ports, and added a schedule of taxation in the form of import duties, drawn up apparently with the view of favouring necessities and penalising luxuries. (Qs. 261-2.) Under the tariff wheat came in free, and there was a heavy tax on French wines. (Q. 344.) A tax of this kind should not be ear-marked to this particular indemnity, but taken in as part of the ordinary revenue of the country. (Q. 333.)

III.

CONDITIONS.

Ships should not be entitled to any guarantee if they went to sea previous to inspection. (Q. 393.) It is impracticable to attach conditions as to speed. (Q. 395.) Vessels bringing food and raw material should be exempted from the proposed tonnage dues, or favoured in some way. (Qs. 424-425.) No payment should be made either on cargo or ship if orders are disregarded. (Qs. 386-7.) Modifications would be necessary to meet the case of our own ships injured by our own mines or stray torpedoes. (Q. 385.) The tonnage tax suggested might be varied in accordance with the commodity carried in the ship (Q. 359), in order to prevent foodstuffs and raw materials being penalised. (Q. 357.) Neutrals would be treated as British ships, because it is not desirable to keep them away from our ports in war time. (Qs. 352, 354.) It would be possible to alter the rates of duty during the course of the war if it was found necessary to do so. (Q. 439.) Advice will be given to the Mercantile Marine through Lloyd's and through the Naval Intelligence officers abroad on the outbreak of war. (Q. 363.)

LEMON, Mr. R. B., Underwriter to the Marine Insurance Company. (Qs 1013—1196.)

I.

MARKET FOR WAR RISKS.

There are many men who during the currency of a war will not write war risks. (Q. 1031.) Judging from the serious losses in the Russo-Japanese war, there will be a large number who will not do so in the event of a serious war. (Q. 1034.) If the British Empire were at war, the amount to be insured would be enormous, and would cripple a great many. (Q. 1101-2.) If the early risks proved serious, the market would contract. (Q. 1152.) But the market would only become limited in the event of serious captures taking place at the commencement of the war. (Q 1179.)

SEA RISKS AND WAR RISKS.

The position of a person insured against marine risks by a private company, and against war risks by the State, would be less good than the position of one who was covered for both risks by the same policy. (Q. 1020.) Underwriters who take marine risks might not deal with war risks at all. (Q. 1030.) During the Japanese war insurances on cargo to Vladivostock were sometimes taken out free of capture with one set of underwriters, and then the war risk was insured separately. But in the majority of cases the cargoes were insured, including the war risk, all under one policy. (Q. 1150.) Instances of special difficulty are:—

(1) *Missing Vessels.*—Who could know whether such vessels should come under the capture clause or under an ordinary sea peril?

(2) *Wreck by Explosion.*—Supposing the boilers were to explode and wreck the ship, that would come under a sea policy; but if the enemy were to fire into them, that would come under the capture policy. Who is to know?

(3) *Barratrous Delivery.*—Under which policy would a vessel barratrously delivered to the enemy and destroyed by him come? (Q. 1022.)

(4) *Scuttling a Prize.*—Take the case of a vessel seized as a prize, and in course of being taken to an enemy's port for adjudication she is lost by a sea peril or by intentional scuttling while in the hands of the enemy. Under which policy is that to come? She is first of all seized as a prize, and as she is taken in she is lost by a sea peril. (Q. 1028.)

WAR RATES IN THE PAST.

In 1870, during the Franco-German war, "we used to get 15 to 20 guineas per cent. on vessels going round from their port of call to the coast, getting round to Kingstown or Liverpool, and that paid us uncommonly well." There were more sailing ships than steamers in those days. (Q. 1049.) These vessels were little grain ships coming from the Black Sea, going to a port of call, and then going on to their destination. (Q. 1050.)

WAR RATES IN THE FUTURE.

War with France.—Supposing we were at war with France, a fair premium on a voyage from the Black Sea to this country, through the Mediterranean, would be quite 25 to 30 per cent., unless it was known that the French fleet was elsewhere engaged. (Q. 1190.)

War with the United States.—A premium on a vessel from Canada would probably range from 8 to 10 per cent. (Q. 1193.) The United States has not got a large navy, and there is more chance of escape. (Q. 1192.)

War with Germany.—Supposing we knew that two or three of their very fast vessels happened to be in the Atlantic at that particular moment, the premium there would certainly be 10 per cent. for the voyage, both on ship and cargo. (Qs. 1194-6.)

NEUTRALS IN WAR TIME.

Under the Declaration of Paris neutral goods, not being contraband, are not liable to capture, but they have been captured nevertheless. (Q. 1119.)

THE RUSSO-JAPANESE WAR.

A premium of 30 guineas was paid regularly on all the coal shipments that went out to Vladivostock for the benefit of the Russian Government, "and I may also tell you that probably four out of five of them were captured." (Q. 1039.) Coal was clearly contraband (Q. 1041), but the trouble in the war was that in many cases nobody knew exactly what contraband was. (Q. 1044.) The greatest experience we have had in war risks has been in this last Russian war. (Q. 1048.)

PANICS.

"I think the shipowners and the merchants can take care of themselves very well indeed. They have got a market to insure them against this sort of thing, and I do not think there is any reason for the State to step in at all." (Q. 1177.)

II.

NATIONAL GUARANTEE—OBJECTIONS.

(1) *General.*—It is impossible for the State to accept one risk and refuse another. (Q. 1079.) Private underwriters know to some extent the character of the person with whom they are dealing and can discriminate. (Q. 1037.) Not only would the risks be unequally distributed under a State system, but "it would be distinctly unfair to put all men on the same footing, and all steamers on the same footing, too." (Q. 1171.)

(2) *Control.*—The fact of being under the general control of the Admiralty would take away a great deal of the safety of ships in war time, because the initiative of shipowners would not have fair scope. (Q. 1056.)

(3) *Values.*—There would be great difficulty in ascertaining with fair accuracy the value of a ship for the purposes of paying a loss. Underwriters fix the value beforehand. "But if after a loss comes the value of the ship has to be fixed, naturally I think the shipowner would endeavour to get as much as he could out of the Government, and I think there would be many squabbles about the value that would have to be paid." (Q. 1061.) The shipowner would say, "My vessel was built for a special trade. It is everything to me to keep the ship. It is not the money I want, I want my ship, and as you cannot give me my ship, I want to have as much money as I can out of you." (Q. 1065.) Ships, as a rule, are built with special construction for their special trades, though tramps are not, and the bulk of the mercantile marine consists of tramps. (Q. 1066-7.) The loss of a tramp could be assessed fairly well, but there would be great trouble in assessing the values of the different liners and passenger boats. (Q. 1068.) Vessels depreciate in the first few years about 5 or 6 per cent. per annum. After that they depreciate, say, 10 per cent. per annum on the original value. (Q. 1070-71.) This rate of depreciation applies to all steamers. (Q. 1073.) There would not, however, be very much difficulty in a small Board of the right class of men arriving at a pretty accurate idea of the value both of ship and cargo. (Q. 1132.) The assessment now adopted for maritime risks is somewhat an "under-value"; "but still I think it is a fair estimate, and if an underwriter accepts a risk he generally looks at the value. That is one of the distinctive features of the risk." (Q. 1163.) The values of cargoes are generally declared about 10 per cent. over the actual values, "generally it is invoice cost, freight, and 10 per cent. just to cover expenses." (Q. 1094.) Underwriters do not dispute values unless fraud is suspected. (Q. 1091.) There would be the same difficulty in ascertaining the values of cargoes as of ships. (Q. 1086.)

(4) *Fraud.*—"There are many men who no doubt would over-value the vessels, and send them into the most hazardous trade they possibly could." (Q. 1077.) "I daresay that pretty well every underwriter has a sort of black list of his own." (Q. 1146.) The question of character applies very considerably in cases of war risk "because it is to a great extent a question of moral hazard, and the shipowner who is beyond suspicion is a far better man to deal with than a man who recklessly runs his property into danger for the sake of getting the insurance money." (Q. 1017.) "A man might be anxious to sell an old worn-out vessel which he finds he cannot sell, and therefore he puts her into a hazardous trade, and tries to get rid of her by insurance. . . . The true value of such a vessel is very small, £2 or £3 a ton, but a man can very readily insure his boat for £6 or £7 a ton. . . . It might not be unreasonable to insure a man for £6 a ton, and then he would get rid of his vessel to the State in that way." (Q. 1180-81.)

SCHEMES A AND B.

The clause as to losses which it is proposed to cover is not as full as that habitually given by underwriters. Nothing is said about riots and civil commotions. (Q. 1035.) The great objections to Scheme B are that (1) Government has not got the machinery to work it. (2) It is utterly impossible to put all shipowners on an equality, and all steamers on an equality. (Q. 1037.) Any premium which you might fix would of necessity be at once too high for the fast ships, and too low for the slow. There is still trade in sailing vessels round Cape Horn to the West Coast of South America and to the Californian ports, where sailing vessels carry cargoes of grain, and are used as a sort of warehouse, and they do not want the grain to arrive all at once. But practically sailing ships are quite a dying trade. (Q. 1127-9.) The risks vary also as between steamers. There are the fast liners with a speed of 21 knots an hour, which would very likely escape if a war vessel chased them, and little tramps steaming 9 or 10 knots, where escape would be practically impossible. (Q. 1019.) It would be reasonable for the Government to demand before issuing a purchased indemnity that the ship was insured with a reputable marine insurance company. (Q. 1165.)

STATE CO-OPERATION WITH UNDERWRITERS.

"Let the underwriters accept war risks upon such terms as seem to them to be reasonable, upon the understanding that a percentage of their profits be handed over to the Government for the benefit of the taxpayer, in consideration of the Government paying any excess of loss there might be over the premiums received." (Q. 1080.) "It is a scheme which I do not put forward. It is only a sort of suggestion. If the State is going to insure war risks, all I can say is that that is a suggestion which might possibly be a better one than Government insurance entirely." (Q. 1081.) It would have no effect upon the rates of insurance. Each man would have to decide what rates he would charge. (Q. 1082.)

McARTHUR, Mr. CHARLES, Average Adjuster. (Qs. 4473-4623.)

I.

DESIRABILITY.

Is strongly in favour of some system of national guarantee as an alternative to an international arrangement for the exemption of private property at sea from capture. (Q. 4478.) The object of an indemnity being mainly to guard against sudden and violent fluctuations of rates of insurance. (Q. 4565.)

MARKET FOR WAR RISKS.

"It is very doubtful whether those underwriters who do take war risks are sufficient to constitute an adequate market. In any case, the business is looked upon as speculative, and naturally underwriters are anxious to get as high a premium as they can, and, speaking generally, I think the premium is in excess of the risk." (Q. 4473.) The shipowners would be able to get all their war risks underwritten at some figure or other in time of war, even supposing there was no indemnity. (Q. 4560.) A financial crisis, in the sense that banks would not finance shipping operations because they would not recognise the policies, need not be anticipated. (Q. 4564.) Bankers might object to some policies, but these would be the exception. The principal marine insurance companies have very large reserves, and there is no reason to fear their not fulfilling their obligations. (Q. 4573.) The evil is the aggravation of premium, not the insufficiency of cover. (Q. 4574.)

TRANSFERS TO NEUTRALS.

The tendency in war would be to transfer British cargo to neutral bottoms, because the shipowner and the owner of the cargo would be free from the cost of insurance, and could therefore afford to take a much lower freight. (Q. 4492.) There would be more danger of the transference of freight than of ships, so that British shipping would be thrown out of employment; foreign ships would take their places, and there would be great difficulty in getting the business back again. (Q. 4512.) The rise in freights caused by any considerable laying up of shipping would have a tendency to bring British ships back again. (Q. 4567.) But there are always a large number of neutral ships laid up unemployed, and these would be drawn into the market to do British trade. (Q. 4568.) Transfers to a neutral flag are unlikely during a war of short duration, and probably any great naval war would be a short one. (Q. 4570.)

SEA RISKS AND WAR RISKS.

All policies of insurance are governed by the maxim of law, *causa proxima non remota spectatur*. Under a marine risk policy, the underwriter would be liable for any aggravation of the marine risks which was caused by the existence of hostilities. "Under a war risk policy, which, I take it, the Government would practically issue, the Government would be liable only for the immediate direct effect of hostile acts." (Q. 4507.) In the American Civil War the lights in Hatteras Lighthouse were extinguished by the Confederates, and in consequence a vessel went ashore, and was lost. It was held that that was loss by perils of the sea and not by a hostile act. (Q. 4555.) Again, a vessel injured by a shot from the enemy, which yet escaped and made its port, and subsequently met a storm and went to the bottom, is a loss by perils of the sea. (Q. 4556.) Even though the shot might have contributed to its foundering. In such a case the doctrine of merger would apply—where there is a partial loss, it is swallowed up by the subsequent loss, so that the assured receives no detriment from the partial loss, and has no remedy. (The case of Livie v. Janson cited.) (Q. 4557.) Where questions of fact were in doubt, decision would have to be made by arbitration. (Q. 4557*.)

NEUTRALS IN WAR TIME.

Neutrals would probably have to pay a war premium and would add the charge to freight. (Qs. 4577-8.)

CONTRABAND.

"I do not think any Government would venture to declare food, generally speaking, as contraband of war, unless it could be proved it was specially destined for the military and naval forces. Even in the late war Russia was compelled to abandon that position." (Q. 4593.)

RUSSO-JAPANESE WAR.

Rates on neutral property during the Russo-Japanese war varied from 10s. per cent. to 7 guineas per cent. "On Holt's steamers to India and China the rate was 10s., but an underwriter told me he had got from 5 to 7 guineas per cent. on neutral property." (Q. 4599.) "In the case of a belligerent risk. . . . I should think it would go to 10 per cent." (Q. 4600.)

II.

NATIONAL GUARANTEE.

Arguments in Favour of.—(1) In order to prevent violent and sudden fluctuations in the prices of commodities, by diminishing the great increase in the cost of insurance, which would naturally go into the price of the commodity. (2) To insure the maintenance of an efficient Navy. (3) Indemnity is the most equitable mode of defraying losses from captures at sea. (4) For the protection of the shipping trade. (Q. 4481.) These reasons are in the order of their relative importance. (Q. 4482.)

GRATUITOUS INDEMNITY.

A scheme of free indemnity is preferable to a scheme of purchased indemnity or State insurance. (Q. 4503.) Scheme A is to be preferred to Scheme B. (Q. 4575.) Free indemnity would put an end to all private insurance of war risks automatically. (Q. 4606.) Free indemnity would place property at sea in a preferential position to property on land. (Q. 4602.) But the shipowner would have to bear a great many risks which would not be covered either by insurance or by a national guarantee, such as delay, and the doubling of the wages bill of the crew. (Q. 4604.)

PURCHASED INDEMNITY.

"I object to the purchased indemnity because it is neither the one thing nor the other. It is a sort of compromise on the present system, and if the Government were to undertake to fix the premium, I do not see how they could ascertain what would be the proper premium to cover the risk, except by re-insuring with underwriters, in which case they would be involved in the same objection that the present system of insurance is involved in, that a premium would be charged in excess of the actual value of the risk." (Q. 4505.) "It is an interference on the part of the State with the ordinary course of business, without the State undertaking the whole thing." (Q. 4608.) But it would be better than nothing (Q. 4618.)

III.

THOSE ENTITLED TO CLAIM.

Indemnity should apply to cargoes as well as to vessels. (Q. 4487.) Luxuries as well as necessities should be covered. (Q. 4491.) All British vessels trading between foreign countries should be excluded, the guarantee to be confined to vessels proceeding to or from ports in the United Kingdom, with their cargoes, but to be refused to any vessel adjudged to be unsuitable for foreign trade in time of war by reason of age or inefficiency. Vessels proceeding from one foreign port to another in ballast, or under charter to load cargo for the United Kingdom, to be covered. (Q. 4494.) Other interests, such as passage money, which is not freight; or cattle, which are not cargo, should be covered, and their value fixed as in the case of an open unvalued policy. (Qs. 4523-4.) In the case of a ship bound to a port of call in the United Kingdom to receive orders there to proceed to a port of discharge in the United Kingdom, or on the Continent, it should be incumbent upon the owner of the cargo, as a condition of recovery, to prove that the cargo at the time of capture was the property of a British subject, and was not destined for a foreign country. In case the vessel were captured while proceeding from a port of call to a foreign port of destination, the owner of the cargo should have no right of indemnity, though the right of the shipowner to be covered in such a case should be unaffected. (Q. 4530.) Practically all cargoes coming to a port of British call for orders would have to be treated as being intended for Great Britain up to the time they reached the port of call, unless it could be shown that the cargo had been sold prior to arrival at the port of call. (Q. 4534.)

VALUES.

In principle, the values that should be recoverable are what is covered in the law of insurance under an open or unvalued policy; that is, the value of the subject matter insured at the commencement of the risk. (Q. 4513.) Open policies, where no value is put in, are very rare indeed. (Q. 4520.) It would avoid dispute if the Government were to issue a certificate of guarantee at the moment when responsibility was assumed for the risk. (Q. 4515.) "I quite see that there would be a difficulty in fixing the value of the property, more particularly the value of the ship, after a loss had happened." (Q. 4517.) Though a properly constituted committee or board would find no difficulty in fixing a fair reasonable value to be placed on any ship after hearing evidence. "But whether that would satisfy the person guaranteed is quite another matter. My experience rather goes to show that that it would not." (Q. 4518.) The value of the cargo would be less difficult to prove, because the invoices should prove its value on shipment, and the expenses of shipment could be added. (Q. 4520.) The value of freight should be the gross amount at the risk of the shipowner, less any saving in the ordinary working expenses of the voyage arising from the capture. (Q. 4522.) In the case of other interests, the value should be the same as that fixed by law in the case of an open unvalued policy. (Q. 4523.)

ORGANISATION.

A tremendous organisation would be required. (Q. 4516.) "I am rather doubtful whether it would be practicable. The more practical scheme would be simply for Parliament . . . to pass an Act that from the commencement of hostilities all British ships and their cargoes, within given limitations, shall be the subject of a State guarantee, leaving it to the constituted authorities afterwards to ascertain the amount of the indemnity." (Q. 4517.)

APPEAL.

"I think there should be an appeal. I do not think it would be satisfactory to the mercantile community if the Department might give a decision against which there was no appeal." (Q. 4537.) It would very much prejudice the guarantee if it were felt that it was a matter about which there might be litigation, and there was no knowing when the shipowner or cargo owner would get his money. The mercantile public would much prefer referring the matter to arbitration in case of dispute. (Q. 4538.)

PAYMENT.

"Very great importance indeed" is to be attached to the prompt payment of claims. (Q. 4539.) Payment should be made in cash. The usual term with a Lloyd's policy is payment in seven days after issuing the credit note; that is, seven days after the time when the claim is accepted as correct. Something of the same sort should apply under a State indemnity. (Q. 4540.)

EXTRA INSURANCE.

A shipowner could not be prevented from doing this if he wished. (Q. 4545) Even though it would be possible by this means to double the value of the ship

if the ship is lost, since payment would be recovered from the Government for nothing, and from the insurers in respect of a premium. (Q. 4546.) "The only alternative would be to provide that the Government, on paying the loss, should succeed to any guarantee or any insurance the owner might have effected in respect of the same risks." (Q. 4547.) This would have the effect of preventing shipowners from insuring again. (Q. 4548.)

FRAUD.

"You have to trust to the *bonâ fides* of owners. Any fraud should vitiate the guarantee." (Q. 4546.) This is a fundamental principle of the law of insurance. (Q. 4521.)

PARTIAL LOSSES.

To make the indemnity complete, it should extend to partial loss, whether particular average or general average. The amount recoverable should be the same as that which would be recoverable under an open (unvalued) policy in Lloyd's form against war risks only, plus liability for special Admiralty risks. (Q. 4526.)

DEVIATION.

Under a national guarantee, it would have to be provided by statute that no delay in sailing, detention, or deviation from the ordinary course of a voyage, required to comply with conditions imposed by the Admiralty, should have the effect of invalidating, or should be admissible as a defence in the case of any claim under an ordinary marine policy of insurance on the property. (Q. 4541.) Probably underwriters would dislike this arrangement. (Q. 4542.) They would charge a certain additional premium for the additional marine risks caused by Admiralty control, but it would not be much. (Q. 4543.)

DETENTION.

Deterioration due to Admiralty orders would not be covered under a policy of marine insurance, and therefore the Government should provide for it. (Q. 4507.) "I do not think that loss from delay is a kind of loss that any guarantee could undertake." (Q. 4583.) Mutual insurance companies cover demurrage, but not as a war risk. (Q. 4584-5.) They cover detention in regard to the ship, but not in regard to the cargo. (Q. 4587.) There are also demurrage clubs which cover the shipowner in the event of his being detained for a certain number of days beyond the number of lay days allowed by the charter party, at the rate of so much per ton per day demurrage. "But that is a very different thing from a vague claim for detention of a cargo . . . in a port of refuge for two or three weeks." (Q. 4585.)

CONTROL.

"I think the marine risks would be increased on account of the possibility of the Admiralty giving orders for vessels to go out of the ordinary course of navigation, or to remain longer than they otherwise would at a port of call, or to put into a port of call." (Q. 4580.)

MACLAY, Mr. J. P., of the firm of Maclay and McIntyre, Tramp Ship owners, Glasgow. (Qs. 4010-4145.)

DESIRABILITY.

It is desirable that the State should make good to shipowners and traders the losses incurred through the capture of shipping in time of war. (Q. 4015.) "If you consider that war is brought on not by any act of the shipowner, but entirely for the benefit of the country by the Government, the position is at once altered (*i.e.*, the burden of indemnity should fall on the general taxpayer). One of the main trades of the country is the shipping trade, and immediately that is affected, the whole country is affected." (Q. 4025.) State guarantee is desirable even though in time of war many large shipowners could do much better for themselves than under State guarantee, since they would recover in freights a great deal more than the extra charge they paid in premiums. (Qs. 4054-5.) Individually, "I believe I could make more money" out of trade "as a speculating shipowner" in time of war, by paying war insurance in the open market, provided that the security (of the market) was sufficiently good. (Q. 4137.)

MARKET FOR WAR RISKS.

"If the war was a war of any scope at all, the difficulty would be to find underwriters. That has been experienced in the past." (Q. 4045.) During the Russo-Japanese war "immediately a certain sum of risk was put into the market it was more difficult to complete. The market becomes very limited if the risk is at all serious." (Q. 4078.) The market only becomes small when the risk is really serious. (Q. 4090.) "If one or two big ships were lost in the Atlantic, premiums would go to a very high level at once, and the difficulty would be, probably, to get underwriters, when one realises the enormous value of ships and cargoes in these days." (Q. 4088.)

TRANSFERS TO NEUTRALS.

Without a guarantee there would be a real danger of transfers, because a shipowner would find it difficult to get freight proportionate to his risk. (Q. 4046-7.) "With the declaration of war a law should immediately be passed absolutely prohibiting the transfer of British vessels during the continuance of war. . . . It should never be forgotten how the American nation lost its large share in the ocean carrying trade of the world during the time of war." The intention to pass such a law would require to be kept absolutely private, since America might even now alter its Tariff Navigation Laws and "the greatest loss to British shipping at the present moment would come if Americans allowed free trade in ships, and I should dread giving America the opportunity in the time of war of recovering what she lost about 1860 and 1865." (Q. 4048.) America would make a *bona-fide* purchase. (Q. 4050.) At the time of the transfer of American ships, wooden ships were practically the only thing. (Q. 4077.) This law should only be passed upon the Government being willing to give a guarantee, but "at the same time, as an individual, I would rather see it for the sake of the nation." (Qs. 4083-4.) A strong feeling exists in certain circles in America that they ought to recover their shipping. (Q. 4102.) A guarantee without a law against transfer would increase the desire of America to buy ships, since under a guarantee there would probably be less shipping available for American trade with other countries than Great Britain. (Q. 4130-1.)

LAYING UP SHIPS.

"Outside the interest on the capital involved the loss is comparatively trifling, as even large ships can be kept in order while laid up for a considerable period by a very few men. Of course, if ships were laid up in foreign ports, and obliged to keep their crews on board, then the cost would be increased." (Q. 4067.)

FRAUD.

"The working of any insurance scheme which embraced all the foreign cargoes carried by British ships in all parts of the world would lend itself to fraud, and any satisfactory check or control over such business seems to be impracticable." (Q. 4037.)

II.

GRATUITOUS INDEMNITY.

(1) It is the cheapest, because it would eliminate the profit of underwriters (Qs. 4015-4018); and would cost nothing in time of peace.

(2) It would save expense to the country in times of international tension not resulting in war, when the shipowner thinks it prudent to cover war risks. (Q. 4022.)

(3) "A tremendous advantage would be that manufacturers would not have their business upset by war." (Q. 4115.)

(4) British ships would be tempted to run an Empire trade, because the indemnity would be confined to the proportion of British shipping so engaged. (Qs. 4118-4120.)

(5) Shipowners would feel it to be no objection that a State indemnity would confer a bounty on them over the neutral, who would probably pay something for war risks. (Q. 4128.)

SCHEMES A AND B.

Scheme A is preferable to Scheme B, because under Scheme B "you at once interfere with the normal condition of things when you add to the cost of working the ships, and a shipowner, if you charge war insurance, has simply to get it out of his freight." (Q. 4113.) If Scheme B were adopted, a committee of twenty experts should adjust the premiums on the various trade routes according to the risks. (Q. 4139.)

INSURANCE AT ZONE RATES.

A fixed scale of insurance premiums for a given length of voyages would be quite practicable. (Q. 4141.) And the scale once having been laid down shipowners could insure under it with underwriting firms acting as agents for the Government. (Q. 4142.) Though a gratuitous scheme would be the best for the nation, insurance under zone rates would be much better than nothing. (Qs. 4143-4.)

III.

PERSONS ENTITLED TO CLAIM INDEMNITY.

Only vessels bound to or from any port in the Empire, and cargoes on board such vessels should be protected, and the responsibility of the Government should be limited to such risks as would confer benefit upon the entire community. Foreign cargoes on board British vessels bound from one foreign port to another should not be protected. (Q. 4026.) Such limitation would limit the cost of indemnity. (Q. 4037.) All imports to this country and exports from this country should be covered. (Q. 4031.)

VALUES.

The value of both ships and cargoes could be discovered without great difficulty after loss. "The ship should be taken at her fair sound value at the outset of the adventure, including her provisions and stores, and other disbursements incurred to make the ship fit for the voyage contemplated. Then the cargo should be taken at the prime or invoice cost, together with expenses incidental to shipping it, including advanced freight, if any." The amount paid for freight should be the freight at the shipowner's risk at the time of the loss, minus the cost of earning it from that time. (Q. 4070.) "It would be the greatest mistake possible" to trouble about the value until the ship was lost. (Q. 4072.) The holder of the bill of lading for the time being would be treated as the person entitled to receive the indemnity. (Q. 4065.) "The position is one we are dealing with every day. We deal with the man who produces the documents. A bill of lading is the equivalent of a bank note." (Q. 4064.)

COURT OF CLAIMS.

The decision of the Court of Claims should be absolutely final. (Q. 4076.)

ADMIRALTY CONTROL.

The Government should have power to restrict the character of any cargo put on board ships in time of war. (Q. 4059.) Owners who agree to take risks forbidden by the State should be allowed to insure themselves, so long as it was not to the detriment of the country that they should do so. (Q. 4058.)

EXTRA INSURANCE.

This should be allowed. "I do not see any harm in it." (Q. 4041.) "You can conceive of very few shipowners desirous of throwing away their tonnage." (Q. 4043.)

MILLER, Mr. HARRY RISCH, of T. R. Miller and Son, Managers of The United Kingdom Mutual Steamship Assurance Association. (Qs. 3368-3548.)

I.

DESIRABILITY.

The Mutual Steamship Assurance Association at the time of the Fashoda incident summoned a meeting, and the views expressed were that the State should either pay for war losses or institute a scheme of insurance. Self insurance was considered to be impracticable, partly because the losses might be heavy, and partly because they thought it was a duty which the State owed to them inasmuch as they supplied the food of the country. Fifteen to sixteen million tons were represented at the meeting. (Q. 3374.)

THE UNITED KINGDOM MUTUAL STEAMSHIP ASSOCIATION.

The object of the Association is to protect shipowners against risks that they may run by virtue of their being shipowners, third party risks in respect of certain matters set out in the rules, such as loss of life, personal injury, damage to other ships, damage to piers, loss of cargo, etc. (Q. 3370.) Approximately 2,000,000 tons are represented in the Association. (Q. 3371.) No war risks are undertaken; only one mutual insurance company does take them. (Qs. 3514-5.)

SHIPPING IN WAR TIME.

In time of war a shipowner might either lay up his ships, or might get such good freights that it would be worth his while taking risks and paying high premiums. "You cannot tell what really would happen." The more timid owners would transfer to foreign flags. (Q. 3431.) "Given the same number of men that we have at present in the Mercantile Marine available, and taking out the reserve which is necessary for the Navy, and the foreigners, I think you would find sufficient men, even foreigners as well, who would be willing to

go in British ships if Britain were at war, because the wages would be necessarily high. The men who went out in the time of the Japanese war were always quite willing to go out to Japan when they got to Shanghai. The only thing they objected to was the rate of wages. They were quite willing to run the risk of capture, and sometimes they did not mind even running the blockade, but they wanted extra pay. I do not think that difficulty of keeping the ships employed would arise." (Q. 3535.) A certain portion of the Mercantile Marine would be laid up in time of war because there would naturally be a dearth of seamen, but it would not be considerable. (Q. 3535*.)

TRANSFERS IN TIME OF WAR.

"It is a very simple thing to transfer. At present I know one or two owners who have transferred their ships to the Swedish flag." (Q. 3431.) An authorised manager is necessary, "and therefore you have a trusted agent over there, who is to all intents and purposes the legal owner of the ship; or you form a company, but the capital is supplied by the Englishman, who does the chartering, and buys the bunker coals. . . . It is practically the same sort of thing as if the company were registered here, only it is subject to the Swedish laws, or the Danish laws, as the case may be." (Q. 3433.) "I personally do not believe that transfer would be carried on on a large scale, but what I should like to avoid more than anything would be the possibility . . . because I believe if one or two owners were by any chance successful in their transfer, that is to say if it worked well, it might induce others to do so." (Q. 3448.) In Spain, a Spanish engineer and a Spanish captain are required, and it is customary to have a Spaniard who is qualified and to have a really good Scotch engineer on board the ship as well, who is nominally the second engineer, but really the first. (Q. 3454.)

MARKET FOR WAR INSURANCE.

In time of peace the market for war risk is limited (Q. 3437), possibly owing to the fact that the underwriters do not care to tie their hands too much in times of peace at a low premium, in the hope that if war broke out they could come in at a high premium. (Q. 3481.) In time of war "you might be able to get a policy. The question is whether, if any very serious losses occurred, the underwriters would be able to pay." (Q. 3440.)

WAR RATES.

"It is impossible to say what would be a prohibitive rate until the circumstances are known." (Q. 3458.) The premium for war risks would probably be greatest during the period just before the war broke out, when there was the fear of war, and also continuously during the earlier period of the war. (Q. 3529.)

SEA RISKS AND WAR RISKS.

The risk of falling between two stools is small. "One has to take some risks in business." (Q. 3524.)

ATTITUDE OF OTHER INTERESTS.

Free indemnity might be regarded as exceedingly favourable to a particular interest. "One would have to be educated up to it." (Q. 3472.)

FRAUD.

National guarantee would not necessarily open the door to fraud. (Q. 3399.) It depends upon circumstances whether or no it is more profitable to have a ship lost. "Ships are a most extraordinary investment. You will sometimes get two ships—sister ships—for which practically the same amount has been paid, and one always makes money, while the other never does." (Q. 3401.)

II.

NATIONAL GUARANTEE.

"I should prefer a scheme without contribution by the shipowner at all. If you are going to have contribution you must have contribution by the cargo as well. . . . But the difficulties of getting a fair contribution by the cargo-owner are such that I think they would be almost insurmountable. For that reason I prefer a scheme without contribution." (Q. 3498.)

NATIONAL INSURANCE.

Shipowners would be prepared to make contributions in peace time with a view to accumulating a fund to meet losses in war, in return for a State indemnity. (Qs. 3411-3.) A charge of $\frac{1}{8}$ per cent. on the agreed value would not be objected to. (Q. 3416.) Each cargo would be charged as it came in. (Q. 3418.) All the imports would have to be classified, and differential rates set for each class of cargo. (Q. 3419.) The actual collection would not be so difficult as settling a fair contribution between different sorts of cargo. "The time at which it arrives, the place at which it arrives, the distance which it has been carried, and a whole lot of other considerations . . . are so difficult to reconcile that I doubt whether any fair and equitable scheme could be arranged." (Q. 3422.) It would be difficult to place a heavier charge upon the shipowner with the idea that he would get it back in freights. (Q. 3424.) A shipowner would look upon it as inequitable if a contribution was obtained from him while the cargo-owner went scot free. (Q. 3427.) Even a shilling per cent. would bring in £1,250 from the two Cunard steamers which cost £1,250,000 each. (Q. 3486.) A man would not be allowed to stand out for five or ten years and then come in at the same rate. His premium should be increased if war were imminent to the share of the total paid by those ships that had been admitted in time of peace. (Q. 3496.)

PAID-FOR INDEMNITY.

Cargo owners and merchants might be willing to pay during war a fixed schedule of rates varying from a minimum of $\frac{1}{2}$ per cent. to a maximum of $2\frac{1}{2}$ per cent. (Qs. 3465-70.)

NATIONAL INDEMNITY WITH TIME LIMIT.

It would not satisfy the owner to give him a guarantee for all his ships afloat at the time of the outbreak of war, and for all ships sailing within one or two months after. (Q. 3533.) "It is quite true the heavier losses would be at the first part of a war, but it is equally true you might have a spurt in captures near the finish of the war." (Q. 3534.)

III.

CONDITIONS.

Extra Insurance.—A shipowner should be allowed to insure himself for a further sum privately. (Q. 3390.) Under present circumstances a shipowner may insure a ship that is worth £40,000 for £40,000 "and have some honour policies in addition to that. It does not necessarily lead to fraud because of those honour policies." (Q. 3591.)

Values.—"An owner ought to be content with what he would recover as if he had in fact insured his vessel against war risk, and the usual practice in that case would be to declare a value at the commencement of the period in which you obtain your policy from your underwriters. For instance, if I have a 12 months' policy, as distinguished from a voyage policy, then at the beginning of those 12 months I declare the value of my steamer, and if my steamer is totally lost, apart from any total loss policies I may have, I recover that value. . . . I do not think it would be fair to wait until the ship is seized, when the values might be very much higher owing to circumstances, or might be very much lower." (Q. 3381.) The value of cargo at the port of shipment, plus freight and insurance, would be a fair valuation on which to pay claims. (Q. 3444.) The value of the ship should be fixed on an arbitrary date, because the Government should know

the risk it is running so as to make adequate provision, and even in time of peace, to build up a fund. (Qs. 3500-3501.) "An owner must make up his mind what he is willing to take even in an abnormal time, and if he is willing to go to an underwriter and insure against capture and seizure at a certain sum, that shows the sum he is prepared to take in case of the loss of his ship. Why should he expect the Government to act differently?" (Q. 3504.) It might be a good plan to value ships at cost, less a certain depreciation per annum from the time of her building. (Q. 3518.) Though if you wrote off 10 per cent. every year, you would write a ship off in about eight years at compound interest. (Q. 3521.) A ship may have real value, though no book value owing to writing down. (Q. 3519-20.) It probably would be most satisfactory to insist on an annual declaration of values from shipowners (Q. 3522); with the object of preventing an inflated value after war had broken out. (Q. 3539.) The scheme which would be most acceptable to the shipowners would be that which fixed the value when the ship was captured. (Q. 3548.) If the Government felt that the value declared was too high, they would call in assessors to assess it. (Q. 3522.)

Cargoes.—Only those cargoes coming to this country should be indemnified. (Qs. 3402-3.) Though it is possible that owing to the practice of round voyages, it might be necessary to insure the whole venture. (Q. 3407-3409.) All cargo should be treated alike. (Q. 3380.)

Declaration of Destination.—In some trades it would cause considerable inconvenience if the cargo were bound to declare its ultimate port of destination at the port of sailing. In long voyages the man who has bought the cargo, and is dealing with it, requires to know at the last possible moment how the market is, and whether it will pay him to send his ship to Rotterdam, or London, or Liverpool. (Q. 3429.) On the other hand, if it was left open to the shipowner to give his final instructions at the port of call, the ship would always, if she was lost, have been bound for England, and so perhaps it would not be a great hardship to insist on destination being declared at the port of loading. (Q. 3430.)

Payment of Claims.—Claims should be paid in cash. (Q. 3441.) Appeal should be forbidden. "You have already got the best expert knowledge you can get on the subject, and both the shipowners and cargo-owners in submitting to that Committee put themselves under the very best tribunal they can get." (Q. 3446.) The object is to get finality. "You have to submit to somebody ultimately, and whether it is the House of Lords or the Board of Claims does not matter." (Q. 3527.) Even if the value was determined after the capture of the ship, there would undoubtedly be sufficient data to enable the Board of assessors to fix it. (Q. 3544.)

Control.—There should be no indemnity if the owner does not comply with the regulations. (Q. 3506.)

MITCALFE, Mr. J. STANLEY, Chairman of the Northern Maritime Insurance Company; Chairman of the North of England Protecting and Indemnity Association, 1906; representing the Chamber of Shipping of the United Kingdom. (Qs. 4304-4472.)

I.

THE NORTH OF ENGLAND PROTECTING AND INDEMNITY ASSOCIATION.

"The Association is divided into three classes. The first one covers mainly the one-fourth deducted under Lloyd's Collision Clause. Class 2 covers claims made by owners of cargo arising without the fault or the privity of the members. Class 3 steps in for war risks. They all contribute to the general expenses, but the members of each class are only liable for the risks of that class, and Class 3 covers war risks." (Q. 4417.) It provides for the protection of shipowners against the risks excluded from the ordinary Lloyd's policy by the "free from capture and seizure" clause, but it does not cover vessels carrying contraband of war. (Q. 4309.) Contraband is excluded because large freights are paid for carrying such cargo, and therefore it was supposed that such shipowners as went in for contraband could well afford to pay the premiums. (Q. 4310.) Ships that have entered into contracts before the declaration of war are completely covered by the Association. "Where goods have proved to be contraband during the voyage we take that up, and we protect against any sudden emergency." (Q. 4311.) The Association covers £21,000,000 sterling. (Q. 4369.) The amount payable by each member depends upon the amount of loss. The loss is divided pro rata; if there is no loss there is nothing to pay. "We only take up to £50,000 now." Members contribute on the amount they enter, whatever the amount of the loss may be. (Q. 4370.) If there were a loss, say, of 5 per cent., which would be over a million in the first few weeks of war, a call would be made to meet the liability. (Qs. 4371-2.) At present the policies are only stamped with a penny stamp, which renders them valid only to the extent of 2s. 6d. per cent. on the amount insured. A 6d. stamp would be necessary to give full cover. (Qs. 4375-6.) "For all ordinary claims, barring the stamp duty, the security would be as good as our members would get at Lloyd's." The probability is that in war time bankers would only lend to members up to the amount represented by the stamp. (Q. 4377.) A small entrance free of 2 guineas is exacted. (Q. 4407.) Although the value of the steamers entered is limited at present to 2s. 6d. per cent., there is a rule that when, in the opinion of the directors, the claims are likely to exceed this sum, fresh policies shall be issued without any such limit. (Qs. 4408-9.) Conditions as to navigation are imposed, and varied from time to time. "At the present time (July, 1907) we do not insure any vessel even yet that is in the neighbourhood of Port Arthur and Vladivostock." The rules as to the carriage of contraband have been varied from time to time, "and would be varied according to the danger zone." (Qs. 4379-80.) In the War Risk Class detention is paid for at the rate of 2d. per ton per day. (Q. 4428.) Only ships are insured; the Association has nothing to do with cargoes. (Qs. 4437-8.)

DESIRABILITY.

"I think it would be very desirable if we could enable our ships to keep the sea during a time when Great Britain was a belligerent, but the more experience I have the more difficult it becomes, and were it not that it is impossible to say nowadays what is impracticable, I would certainly describe any such scheme as impracticable." (Q. 4312.) "If any scheme were submitted that appeared to have the germ of success in it, it would be another matter, but I have not heard of such a scheme. I have read all the suggestions that were laid before the Food Supply Commission, and I see nothing that is practicable, and my own personal experience is against it." (Q. 4352.) Both free and purchased indemnity would be equally impracticable, though of the two it is preferable that something should be paid rather than that the indemnity should be gratuitous. (Qs. 4399-400.)

MARKET FOR WAR RISKS.

The open market would always be able to cover the risks, provided that the mercantile interests were able to pay the premiums asked. There would be no restrictions of that market in time of war. (Qs. 4390-1.)

SHIPPING IN WAR TIME.

"The extraordinary difficulties that there were with the crews in the Russo-Japanese war suggested to me how much greater the difficulty would be when we were at war. When we were neutrals, crew after crew refused to proceed when they got into Singapore and Hongkong, and in some cases Chinese crews were shipped while they went to the Japanese ports, and the ships returned and picked up their English crews." (Q. 4358.) Indemnity can be given where money only is concerned, but sailors do not know what treatment they may experience after the Russian example. Boats were torpedoed, and very high-handed action was taken, even where the cargoes were supposed to be neutral. (Q. 4360.) Shipowners will always try to get the biggest freight under any circumstances, whether the charges they are put to are increased or not. (Q. 4451.) Without an indemnity a shipowner might be able to get sufficient freight to cover all the extra charges consequent on his country being a belligerent. (Q. 4460.) The most panicky period would be after a few captures, and not just before the declaration of war. (Q. 4464.) "In all human probability the war would be confined to certain zones, and the English ships outside of that might go on with their business as before." Freights would rise doubtless. (Q. 4393.)

NEUTRALS IN WAR TIME.

The wider the definition of contraband, the greater the disadvantage to the neutral, and the less he is at an advantage compared with one of the belligerents, unless he knows that his Government will strongly back his rights as a neutral. (Qs. 4365-6.) The belligerent has to pay a very much heavier war premium than the neutral, and the seaman knows that while he is under a neutral flag he suffers less chance of capture than if he were under a belligerent flag. (Q. 4396.) Neutrals would have the advantage, in that British shipowners would undoubtedly pay a higher rate of war insurance than the neutral, and higher wages, and owners of neutral cargo would naturally prefer to ship in neutral rather than in belligerent bottoms. (Qs. 4453-5.)

EXTENT OF BRITISH INTERESTS.

"In 1893 we appeared to have reached about the high tide of our proportion of the carrying trade. I then made it out to be about 58 per cent. of the whole, making due allowance for the difference between sailing ships and steamers. That has gradually and regularly fallen off at the rate of about 1 per cent. in two years until we have barely over 50 per cent. In fact, according to the last return made by Lloyd's a few weeks ago, it is under 50 per cent." (Q. 4329.) A steamer ton, for the purpose of this calculation, was taken to be equal to 3½ sailing ship tons. "We have about half the steamer tonnage of the world, and about a quarter of the sailing ship tonnage." (Q. 4330.) Fifty per cent. means 50 per cent. of the whole trade of the world. (Q. 4333.) "We have a more serious competition with 50 per cent. of foreigners than we should have if that competition were limited to 20 or 30 per cent." (Q. 4332.)

THE RUSSO-JAPANESE WAR.

In the war "each shipowner was extremely anxious to get big freights, and to be covered by someone else, and the same thing would apply were you to give a national guarantee." (Q. 4314.) So far as vessels that were not carrying contraband were concerned, the premium was light. It would be very different if England was a belligerent. (Q. 4316.) The Germans even ran a considerable risk as regards contraband, because they believed that they would obtain, and they did obtain, the support of their Government. The Hamburg-American Line is said to have made £500,000 out of the war, and there were undoubtedly many cases where English shipowners hesitated, and others, who thought they would get more support from their Government, took the risks. (Q. 4366.)

THE DECLARATION OF PARIS AND CONTRABAND.

"By the Declaration of Paris which took us on to the ice, and left us there pretty well, the neutral flag covers the enemy's cargo except contraband. You always run up against this word 'contraband' in every difficulty that arises." (Q. 4364.) A definition of contraband is most desirable. (The case cited of the English ship with a cargo of petrole.) (Q. 4362.)

THE NAVY.

Our main security is a strong Navy. (Q. 4361.)

TRANSFERS IN WAR TIME.

In consequence of the restrictions on British ships, a very large number of vessels have been transferred to the Norwegian flag, but recent rules in Norway have stopped transfers to a considerable extent. There is but little transfer to Denmark, since she puts a duty of 3 per cent. on transfers, but Sweden is very anxious to increase her mercantile marine, and it can easily be effected there. If war lasted a long time, it would be done as almost a natural thing. What more natural than that the shipping belonging to the large American combine should go back to America, if England was at war and America a neutral? An Act of Congress would be required, but that is soon done. "They have done that in two or three cases." (Q. 4397.) Few belligerents would like to get into trouble with another nation and interfere with ships under a neutral flag. (Q. 4398.) The most potent factor in peace time in causing transfer are load-line restrictions. (Q. 4468.) Other countries are fortunately adopting them, though very slowly. "Germany appears to be on the verge of it, and also Norway, I believe, but, so far as I know, not Sweden." (Q. 4471.)

II.

MR. MITCALFE'S SCHEME.

"The shipowner, of course, might, in exchange for a Government indemnity, be called upon to pay such portion of the estimated cost of the war risk as was not covered by the increase of freight obtainable in consequence of the war. That would be a most difficult thing to do. Then the cargo owner would also have to be dealt with. He would probably require an indemnity against loss or detention consequent on shipping under a belligerent flag. But on all sides you would be met with difficulties. It might very well be that the shipowner had already insured his war risk. . . . In time of peace he can get it done for 2s. 6d. per cent. per annum. Another shipowner with an identical ship might not have taken this precaution, and he might be asked 20 or 30 per cent. . . . The more you go into the details, the more difficult any scheme is seen to be." (Q. 4320.) An indemnity of this kind would have an indirect effect upon freight, but you would always be faced with the fact of the shipowner who is inclined to be speculative, who would run wherever he saw most money to be made. The more complete the guarantee, the greater the risk he would run. "But . . . if you are going to do anything, supposing freights have risen so much as to more than cover the war premium, I would pay no portion of it. Supposing the freights have not risen and the premium is very high, it might be necessary to pay him a considerable portion of the cost." (Q. 4321.) "But I do not think it would" be possible to work a scheme on such lines. (Q. 4322.) A protection given by the Government should not be granted without the most careful consideration; each case, or certainly each trade, to be dealt with on its merits (Q. 4323) by a Committee of experts. The object being, not that the shipowner should have an extra profit, but that he should keep the seas and compete with the neutral. (Q. 4327.) During the Japanese war in many cases, as we know, the Governments of these two countries offered an indemnity. They gave shipowners the choice, and declared their rates of freight to be so much without an indemnity, and so much less with an indemnity. "A bargain of this kind, so far as I can see, would be the only practical thing." (Q. 4326.) The Committee of experts would decide the amount of premium to be paid for each particular venture, and the amount to be paid in case of loss. (Qs. 4338-9.) For ships already at sea, it would depend upon where they were as to what the rates should be. (Q. 4344.) To confine the guarantee to special trades only, at special times, would mean an enormous amount of work for the Government. (Q. 4347-8.) "The task you would give your expert Committee would be an extremely difficult one, and they would probably be blackguarded on all sides by those who did not think they had got sufficient. You would be giving them a very unpleasant task." (Q. 4351.) The time that this Committee would take to deal with the claims "is one of the difficulties which makes me say it appears to be impracticable." (Q. 4385.)

NATIONAL GUARANTEE: ARGUMENTS AGAINST.

To give a free indemnity would be to invite the most speculative to go in. (Q. 4325.) There is no doubt that, risk or no risk, men would think it a very favourable opportunity of getting a much higher scale of wages. It would be hopeless if Government had to deal directly with the men. (Q. 4433.)

NATIONAL INSURANCE AT FIXED RATES.

"Why should a shipowner pay the 2s. 6d. when he can come to us and get covered without any such scheme during peace?" (Q. 4342.) Fire insurance at home is different from war risks at sea, because you have no notice of the fire in the house, whereas you have more or less notice of war. (Q. 4343.) Compulsory payments in peace time would not be welcomed by the shipowners. (Q. 4423.)

NATIONAL GUARANTEE LIMITED TO SPECIAL RATES AND FREIGHTS.

"If any such thing is possible, it appears to be in that direction. The danger zone is generally somewhat limited." (Q. 4347.)

NATIONAL GUARANTEE PAID FOR BY A TOLL ON BRITISH CARGOES IN NEUTRAL VESSELS.

"That is going back to Cromwell's idea in 1651, but it would not effect its object, because there is an immense volume of trade carried on by British vessels between foreign ports." (Q. 4345.) It would also be impracticable to prohibit the carriage of cargo by other than British vessels between all parts of the Empire in time of war, or to tax foreigners that carried from British ports. (Qs. 4345-6.)

II.

CONTROL.

Under a national guarantee "it is absolutely necessary that there should be some control. I suggested even the possibility of having to put a man on board, because some of these captains might disobey orders. Not that I say it is practicable, but it may be necessary." (Q. 4341.)

VALUES.

"Taking it all round, I should think the insured value is probably better than what you call the actual value. The greatest difference of opinion occurs even between experts as to what the actual value is." (Q. 4354.) If payment were made on a reduced value, the effect would be that the shipowner would insure the balance. (Q. 4357.) The insured value may often be more than the actual value of the ship; but it may also be, owing to p.p.i. policies, less than the value of the ship. (Qs. 4439-40.) Values based on the cost of a vessel less a fixed depreciation per annum are very rough and ready, because a ship may be worth more than she cost a few years after she has been built. On the other hand, she may be worth only half what she cost. (Q. 4442.)

DETENTION.

This would be one of the most difficult things to deal with. Claims are constantly made for deterioration of cargo, loss of market, and so on. "You have nothing to teach a merchant as to making claims." (Q. 4386.)

ADDITIONAL INSURANCE.

It would be unworkable to prohibit it; and under any national scheme an owner should be allowed to insure elsewhere. (Qs. 4444, 4447.)

NUGENT, Mr. C. R., Manager of The Union Discount Company. (Qs. 3549-3612.)

I.

DESIRABILITY.

Discount houses are only indirectly interested in the question of a national guarantee; though the more smoothly the shipowner or the cargo-owner carry on their business, and the fewer the risks they run, the better it is for them. (Qs. 3558-9.) A State guarantee "would very much facilitate our operations, and would of course to that extent give shipowners and cargo-owners the confidence of knowing that their bills would be discounted." (Q. 3563.)

THE LONDON MONEY MARKET.

London is the clearing house of the world. This is recognised by the extent to which all the Continental banks and other institutions are establishing offices and businesses in London. Clearing house business is a very valuable business in itself. (Q. 3603.) Out of the five countries with whom we might possibly be engaged in a serious war, we should be able to continue our banking and monetary business with three of them, though, of course, the markets would be disturbed. (Q. 3607.)

THE RELATION OF BANKS AND DISCOUNT HOUSES TO SHIPOWNERS.

The discount houses discount bills drawn by the shipbuilders upon the shipowners. (Q. 3551.) The relation of the shipowner to the discount houses and bill brokers in London is generally confined to financial operations in connection with ships in course of construction, when it is usual for the builders to take a proportion of the money in cash and the balance in bills at 3, 4, or 6 months' date, frequently with the option of renewal. The discount houses, in discounting such paper, take into consideration the standing both of the drawer (the builder) and the acceptor (the shipowner), and also the general position and outlook of the money market. Should the bills not be properly met at maturity, the broker would come back on the builder, who in turn would be able to recoup himself by seizing and selling the ship. The financial transactions connected with ships after completion of purchase would be by way of mortgage, which is a form of business outside the province of the regular discount houses. (Q. 3552.) The direct interest of the discount houses should cease either when construction is complete, or within a few months afterwards, but there are a great many bills on ships no longer in course of construction, because some of the largest shipping companies, to avoid issuing capital, keep a certain amount of paper in circulation which is discounted by the discount houses, and by bankers, and which even finds its way to the Bank of England occasionally as collateral security for loans. (Q. 3553.) There is a certain proportion of bills in circulation in the money market which is handled by brokers who are distinctly bill brokers and nothing more, but their transactions are not very important in the matter, and really the principal factor is the action of the discount houses. The brokerage business in the discount market is gradually disappearing. (Q. 3551.) Deposits are all protected by bills, and the public and bankers, in taking bills from discount houses, look upon them critically, because in case of

emergency they would have to fall back upon the bills if the discount houses were unable to find the money. Bills drawn for ships in course of construction are very largely discounted in the open market, in addition to being taken by country bankers and the large bankers direct from their usual customers. (Q. 3552.) Discount houses are interested in the position of the shipowners because, having no lien upon the ship, their general credit is a consideration to be taken into account, and in the event of war, the losses incurred by the shipowners would materially affect the position of discount houses as bill holders, even though they were only taking bills based upon ships in course of construction. (Q. 3552.) Shipowners would probably insure against both marine risks and war risks. "We take it that in the case of a company with ordinary business prudence such things are attended to. We do not make any particular inquiry in such instances." (Q. 3554.) Discount houses act between the bankers and the people who want the money. Discount houses do not provide much of the actual money, but there is no doubt that their tone influences credit generally, and the bankers' minds would be influenced by the position if the discount houses were not taking the bills. (Q. 3564.) "We are the outer skin, so to speak, of the money market, and very sensitive to any general movements." (Q. 3565.)

RELATION OF THE DISCOUNT HOUSES TO THE CARGO-OWNER.

The exact position is difficult to define, "as the course of the commercial transactions involved is frequently obscured by the resulting bills being drawn upon banks or other accepting houses against letters of credit or other documents. But in a general way, it may be stated that the discount houses are largely interested in the satisfactory conclusion of operations entered into by owners of goods coming into or going out of the country. The bills that the discount houses take in that connection are what we call clean bills—that is, they are bills not with the documents attached. The documents are given up on acceptance, and we simply have the engagement of the firm that is financing the cargo-owner." (Q. 3555.) The reason why bills with documents are rarely taken is that "we have to take bills we can circulate and give as collateral security, and the consequence is with documentary bills you must have the bills in your portfolio ready to give up the documents when the acceptor wishes to get hold of his goods." (Q. 3556.)

ATTITUDE OF OTHER INTERESTS.

"If the State is going to take upon itself the burden of insuring people engaged in the shipping trade, a multiplicity of other businesses would come upon the Government, and say, 'let us have a share of this with the shipowner,' if it is done without any premium having to be paid." (Q. 3569.) Many other people insure themselves against war risks; for instance, a banker holding Consols in the ordinary course of business, since if war breaks out, Consols may fall 10 per cent., and that may mean a loss of hundreds of thousands of pounds. (Q. 3570.)

EFFECT OF WAR UPON DISCOUNT HOUSES AND BANKS.

In time of war the discount market would be more cautious. (Q. 3580.) Bills and securities would be examined more carefully, as they were during the Fashoda incident, and recently in the Russo-Japanese war. (Q. 3587.) "I think if we were engaged in war with a first-rate Power, you would have a suspension of the Bank Act, and not only that, but a suspension of the convertibility of the note would follow as a matter of course." (Q. 3599.)

II.

NATIONAL GUARANTEE.

The losses in war time would probably be better distributed among the people who insure the risks than they would be by coming on to the Exchequer, "because my own feeling would be that it would entail upon the Exchequer considerable disbursements if the claims were paid in cash, which would come at a very inopportune time when the national credit was low and money was wanted for war purposes." In the San Francisco disaster a very large amount was paid in the ordinary way with very little disturbance. If losses of that magnitude had come upon the Exchequer, "it would have been a troublesome matter; it would have a very great effect." (Q. 3568.) "On the whole, we find that distributed arrangements are better than a focussed and concentrated one. It would probably be better if the members at Lloyd's and the large insurance companies found the money by selling securities, and by borrowing, and so on. It would create less disturbance in the money market than the Government having to issue a kind of stock to raise the necessary funds . . . The issue of Government stock has a greater effect in depressing all existing securities than the sales of moderate amounts by bankers and others." (Q. 3610.)

NEED FOR A CASH RESERVE.

If the Exchequer is to take this liability, it ought to form a reserve to meet it, or else to undertake to pay in bonds at the time, instead of in cash. (Q. 3569.) "You must form a bigger gold reserve, and have a cash reserve. It is the absence or possession of money, as well as food and ships, that is going to handicap you or give you strength when the critical time arrives." (Q. 3598.) A monetary reserve would give confidence to the whole world, and enable London to maintain its present pre-eminence. (Q. 3601.) "France, and America, and Germany have provided themselves with an enormous amount of gold they can lay their hands on, which this country has not. (Q. 3601.)

III.

PAYMENTS.

"It would be far better from the point of view of the man who insures, and we who deal with him, that the payments should be made in cash." (Q. 3590.) Bankers would not advance in the same way if payment was made by the issue of bonds, since they would want a larger margin. (Qs. 3591-2.) The money market would probably desire a Government guarantee, and would certainly prefer payments in cash. (Q. 3612.)

POLICY.

If Scheme A came into operation bankers and discount houses would want to know that a certain value of ship and cargo had been accepted for the purpose of the guarantee, and this would be ascertained from the person whose bills were taken. (Q. 3595.) There would have to be some transaction as regards the particular ship and particular cargo, between the Government and the person under Scheme A. (Q. 3596.)

OWEN, Mr. DOUGLAS, late Secretary of the Alliance Marine and General Assurance Co., and formerly Secretary and Chairman of the Association of Average Adjusters. (Qs. 2115-2406 and Appendix.) (See also Evidence for Royal Commission on Food Supplies, Qs. 6505-6611, and Appendix pp. 242-252.)

I.

DESIRABILITY.

A scheme of indemnity is desirable even if we were assured that there was no risk of the transfer of our mercantile marine, or of its being laid up—purely for the purpose of securing our necessaries. (Q. 2397.) And unless we cut ourselves adrift from the particular clause in the Treaty of Paris, a scheme is desirable in order to preserve the mercantile marine. (Q. 2398.)

THE DECLARATION OF PARIS.

Exactly in proportion as the Declaration of Paris gives us free supplies, so conversely does it drive trade from British to neutral bottoms. (Q. 2119.) Though it facilitates the arrival of our supplies, it will prove fatal to our shipping industry and our carrying trade. (Q. 2118.) "I regard the shipping industry, as probably we all do, as really the greatest industry of the country, and I could not willingly see it left to take its chance." (Q. 2119.) It would be desirable to neutralise by special measures the advantage which the Declaration gives to neutral shipowners over British ships (Q. 2129) by

(1) Closing the trade within the ports of the Empire to neutral shipping by re-introduction of our Navigation Laws. (Q. 2130.)

(2) Placing a cargo tax on British goods exported in neutral vessels. (Q. 2134.)

(3) Prohibiting the sale of British shipping to neutrals in time of war. (Q. 2135.)

Navigation Laws as regards our coastal trade were only abolished in 1854. The Americans enforce them still round the coast from New York to San Francisco. The French have similar laws, and other countries also. (Q. 2131.) But it is a very serious objection if as a fact nearly all our Treaties of Commerce and Navigation guarantee what is called national treatment to the contracting parties. (Qs. 2132-4.)

NEUTRALS IN WAR TIME.

Neutral shipowners in time of war have very considerable advantages. (Q. 2126.) Had the British owner no war premium to pay, a merchant would still save risks of delay and detention, and, in the case of outward bound ships, of loss of destination profit, by employing a neutral. Neutral ships, moreover, will probably be able to carry cheaper crews, and therefore to charge lower freights. (Q. 2142-4.) Even though neutral shipping does not compare in size with our own, it might be concentrated on a particular branch of our trade and do great damage. (Q. 2350.)

TRANSFERS IN WAR TIME.

There is considerable formality to be gone through in transferring a vessel—transfer on the British register, and so on. It is a very serious business. No transfer can be made except by complying with very strict and pretty clearly defined regulations. (Q. 2137.)

SEA RISKS AND WAR RISKS.

It is common to separate sea risks from war risks. (Q. 2211.)

MARKET FOR WAR RISKS.

The extent of the market in a future war "is one of the unsolved questions. . . . It is conceivable that there would be great difficulty in placing the risks in consequence of loss of insurance market." (Q. 2404.) "It is notorious that a lot of underwriters got very hard hit indeed owing to the unexpected happening in the Japanese war, and it will be long before this object-lesson is forgotten. Company directors will play for safety." (Q. 2405.)

II.

NATIONAL INDEMNITY.

Objections.—(1) Want of official familiarity with insurance procedure, and delays in payment.

(2) Encouragement to fraud owing to inexperience of officials.

(3) Difficulty in suing the Crown except with its own consent, which is always difficult, and sometimes impossible to obtain.

(4) Difficulty in fixing satisfactory values.

(5) Possibility of falling between two stools owing to mixed causes of loss.

(6) Improper transfer of goods from foreign to British ownership for purposes of the indemnity.

(7) Difficulties due to the loss of a vessel when deviating under Admiralty orders.

(8) A scheme adopted only on the outbreak of war will come too late. (Appendix.)

Advantages.—(1) The cheapening of food supplies and raw materials during war.

(2) Protection of the national shipping interest endangered by the "Free ships, free goods" clause in the Declaration of Paris.

(3) Protection of the national manufacturing and export trades similarly endangered.

(4) The provision of cargoes for the national shipping in United Kingdom loading ports. (Appendix.)

SCHEME A.

The main difference between Mr. Owen's scheme and Scheme A is that under his scheme vessels must be enrolled beforehand. (Q. 2270.) Allowance should be made for giving an indemnity where the Government sinks a ship, say to block the mouth of the Thames. (Q. 2202.) This is not covered by the "Free of capture" clause. It is in the policy as a whole. (Q. 2204.) And comes under the words: "All arrests, restraints, and detainments of all Kings, Princes and Powers whatsoever, losses and detentions at sea, and maritime risks." (Q. 2205.) Cargoes to be covered by the indemnity should be cargoes to the United Kingdom from Colonies and neutral ports, and from the United Kingdom to Colonies and neutral ports, because the object is primarily to indemnify cargoes to or from the United Kingdom. (Qs. 2257-8.)

SCHEME B.

It is quite unworkable. (Q. 2261.) "How can you possibly deal with the cargo under Scheme B? Ships you could deal with." (Q. 2264.) "If you think of of what a ship brings. Take one of these ships bringing 10,000 or 20,000 tons of cargo, split up amongst 200 or 2,000 different consignments, each of those 200 consignments, or whatever number there might be,

having to be separately insured. . . . You would not have an office large enough to hold the people coming in." (Q. 2265.) No general system would be workable. Shipowners could not settle with shippers because the owner does not know who his shippers are. (Q. 2268-9.)

TESTS IN TIME OF PEACE.

Either scheme ought to be tested to see how it works. (Q. 2146.) "You can ask the shipowners to fill in their forms saying where their ships are, this information to be immediately posted to Lloyd's," and everything done in the same way as it would be in case of war. Ships cannot be held up in time of peace, but the essential or preliminary part can be tested. (Q. 2147.)

COST OF INDEMNITY.

Any estimate of probable losses that the State would have to pay under a scheme of indemnity would be misleading. (Q. 2356.) But whatever the loss it would have to be borne by the country somehow. (Q. 2358.) The cost of administration may be gauged from the cost of insurance companies at the present time, which ranges from 10 to 30 per cent.; the average would probably be 15 per cent. Government would probably do the work for less because there would be no salaries to pay. (Q. 2360.)

FRAUD.

The State would certainly be liable to be cheated if it worked with its ordinary machinery. (Q. 2370.)

III.

CONDITIONS UNDER MR. OWEN'S SCHEME.

(1) *Register.*—A register should be published annually of all the vessels enrolled under the scheme, and a fee charged for registration. (Q. 2168.)

(2) *Losses to be Covered by Indemnity.*—No new clause for covering war risks would be desirable. (Q. 2156.) "There is no branch of marine insurance in which the law is more clearly defined, owing to a long course of legal decisions, than that of the law of capture. . . . The moment you begin to introduce alterations you produce confusion, even if the alterations are in themselves desirable." (Q. 2157.)

(3) *Fees.*—Such a fee should be charged as would produce a substantial income, and yet at the same time would not be a deterrent to shipowners in any way. (Q. 2169.) The receipts from the stamp duty on marine insurance should be ear-marked as contributions from cargo-owners. (Q. 2174.) "My view is that the insurance duty is all wrong, and ought not to be charged at all, but inasmuch as there is no reason why cargo-owners, who are going to benefit vastly by a scheme of this kind, should benefit without paying anything for it, I should like the tax to remain in respect of indemnified cargoes, the amount collected to come through the Inland Revenue to this scheme." (Q. 2181.) Those who enrol just before the outbreak of war would have to pay an additional fee. (Q. 2288.) Shipowners to pay a premium of 7d. per cent. on the value of the ship. (Q. 2296.) So that under the scheme the owners would pay £3 for war insurance of a thousand ton ship, as against £8 or £10 under present arrangements at 2s. per cent., according as the ship is valued at £8 or £10 per ton. (Appendix.)

(4) *Control.*—Shipping to order would have to be stopped. If a man is going to be covered under the scheme, the bill of lading must be clear and precise, either for a British port or for a foreign port. (Q. 2225.) There must be Admiralty control. (Q. 2154.) "You must discriminate between safe voyages, dangerous voyages, and doubtful voyages." (Q. 2155.) "My idea is that I, being a shipowner, fill in one of the Government forms, and send it in to the Admiralty or Lloyd's. I have got ships in three different parts of the world. . . . I ask for the instructions of the Admiralty, having regard to the voyages of those ships." (Q. 2153.) No doubt there would be a good deal of work involved. (Q. 2154.) One must assume the existence of the cable. "It is incidental to my scheme that every shipmaster will be fully impressed with the fact that if war breaks out he has got to stand by till he gets his orders." (Q. 2151.)

(5) *Board of Claims.*—The Board to consist of nine underwriting experts and three trustees of the National war indemnity fund. (Appendix.) It would be found that this Board would be less liberal in dealing with other people's money than with their own, because their individual reputation for generous dealing would not be at stake. (Q. 2162.) In order that merchants may have confidence in this body it should be established as nearly as possible on the lines of a marine insurance company or of Lloyd's. (Q. 2158.)

(6) *Right of Appeal.*—Claimants to have a right of appeal direct to the Court of Appeal in the case of any rejection of the claim on the ground of alien ownership of the property or otherwise. (Q. 2158.)

CONDITIONS OF PAYMENT.

The shipowner should be entitled to more than he would get if his ship was sold because the mere fact of a loss involves him in incidental losses. He cannot go into the nearest market and pay so much for a new ship. He has to have it built, and meanwhile loses the earning power of the ship. (Q. 2251.) Cargo carried in ships that are not enrolled, even if it is British property, would not be covered. "That is one of the levers to force the shipowners in." (Q. 2317.) Cargo-owners would not be required to give notice. (Q. 2314.) Cargoes between foreign ports should be excluded from the indemnity, though the ships would be covered. (Q. 2351.)

Demurrage.—Shipowners should receive payment for demurrage if a ship is held up under instructions of the Admiralty for over 30 days. (Q. 2236.) Cargo-owners, as under a Lloyd's policy, should not receive payment for demurrage. (Qs. 2239-40.)

Luxuries and Necessaries.—"The idea that one had in one's mind was that all that was necessary for the purposes of the guarantee was raw material and food. But as soon as you begin to draw the line, it is so difficult, if not impossible, to say what is raw material or a necessary, that I thought it better to let everything in, simply excluding by name things that are quite obviously not necessaries at all." (Q. 2196.)

EXTRA INSURANCE.

A shipowner should be allowed to insure against war risks to the extent of 10 per cent. above the actual value. (Q. 2242.) Extra insurance must be limited, because a shipowner must not be in a position by reason of his insurances over and above the State indemnity to desire as a money proposition the capture of his ship. "The moment you put him in such a position, you remove from the indemnity fund one of its most important safeguards." (Q. 2341.)

ROBERTS, Mr. ALFRED WALTER, Underwriter and Insurance Broker. (Qs. 845-1012.)

I.

DESIRABILITY.

"It is not desirable in any way." (Q. 849.) "It is not desirable that merchants and shipowners should always be able to insure by routes presenting very great danger. For example, if we were at war with France, and the French succeeded in blockading the Mediterranean, I should not consider it for the good of the country for there to be a market to insure grain from the Black Sea, or anything from the Black Sea. I should prefer this route to be closed by prohibitive rates, rather than to allow shippers to recklessly endeavour to force such a blockade, which they could do if the national guarantee existed. The only result would be that the enemy would benefit by the captures, and our sailors would be disheartened by the enemy's successes. I should. . . . prefer to see such of our sailors (and the supply would be none too large) as are brave enough to run the risks of capture concentrate their efforts on routes where there would be a reasonable chance of getting through." (Q. 873.)

MARKET FOR WAR INSURANCE.

"I consider that there is in London, and in Liverpool and Glasgow, the largest insurance market that has ever existed, and I can see no reason whatever why this large body of insurance experts should not be perfectly able to deal with any state of affairs that may arise in consequence of our being at war." (Q. 850.) The business of war insurance in the case of Great Britain being a belligerent would be a great deal larger than in the late war. (Q. 855.) No panic would arise. The amount of insurance would be large, and underwriters would therefore receive a large amount of premium, and out of this losses would be met, and consequently captures would not have a demoralising effect. What would demoralise the market would be a blockade so effective as to make captures a practical certainty, but while a fair percentage of steamers kept getting through there would be no reason to anticipate demoralisation. The size of the market would always be sufficient to prevent anything like a successful combination to charge prohibitive rates. (Q. 859.) Hitherto, where there have been war risks they have been concentrated on one particular spot, "whereas, when you get the British Empire at war the thing is so enormous that it would appeal to every underwriter." (Q. 860.) If the demand suddenly expanded, the market would rise to the level of the demand. (Q. 946.) There is practically always a market at a price. (Q. 944.) There would be difficulty in war time in placing large single risks, though there would always be a pretty free market up to a matter of £200,000. (Qs. 898-900.)

WAR RATES IN THE FUTURE.

Marine risks would undoubtedly rise during war time, because, though the policy of this country is to keep all its sea lights burning in time of war, there are a great many other people who would not do so. (Qs. 968-76.) Supposing a strong naval combination against us, the rate for a ship coming from Canada would be, "I should say, about 2 per cent., not more." (Qs. 902-3.) If we were at war with the United States, and they had their whole navy on the other side, the rate might be higher temporarily, but then supplies would be drawn from the Argentine, India, and the Black Sea. (Qs. 931-2.) There is nothing really in past experience to guide one. (Q. 935.)

MARINE INSURANCE—PEACE.

Ordinary marine insurance is a bet by a person who has experience and technical skill. (Qs. 893-4.)

PRICES IN WAR TIME.

There will be a great rise in the price of commodities if this country is at war, but the extra insurance will not materially affect the case. "I was very closely in touch with the people shipping out to Vladivostock, and I never found the insurance prevented a deal." The cargoes were shipped to a German firm, as well as to the order of the Russian Government. (Qs. 865-6.)

SHIPPING IN WAR TIME.

A man does not ship in time of war unless he is going to make a very large profit, apart from any question of capture, because at that time there is a great deal of insolvency about. (Q. 891.) There would be no shortage of goods to be carried, because "you would have to get enormous supplies into the country of war materials and things like that. You would have to make much larger provision, because you would have rather to allow for captures." (Q. 1008.) There would also be great wastage of tonnage. "There would be all the vessels taken off for transport, all the vessels taken off the ordinary freight market for the purposes of war, and you would get an extraordinary shortage of freight. None of these shipowners would be having their ships laid up; they would all be working as hard as they could." (Q. 1004.)

THE RUSSO-JAPANESE WAR.

The whole difficulty of effecting insurance was concentrated on insurances to the port of Vladivostock, which can be approached only through the Straits of Tsushima, or north viâ La Perouse, or viâ Cape Elizabeth and Saghalien. "There was no difficulty about placing any amount of goods to Japan, or to Russia, or to China, to go up through the country." (Q. 856.) "On the 13th of July, 1904, I insured a large quantity of rice bound from Rangoon to Japan, which would rather take it within the region of any Russian cruisers at Vladivostock, ... at $\frac{3}{8}$ per cent. On the 29th of October I had to insure a large amount of canvas sent to Japan, and the rate was $\frac{1}{2}$ per cent." (Q. 870.) Even after the fall of Port Arthur "my firm insured three steamers to Nicolaiefsk. . . . . from Australia. We had to pay 50 guineas, but it was done, and they all three arrived." (Q. 872.) At the time when it was reported that Russian cruisers had been detached to watch rice ports, and there was a great trade in rice cargoes from Rangoon, the rates never went to more than $1\frac{1}{4}$ per cent. (Q. 936.) "The Russians sank a boat under the German flag, and the Japanese sank boats under all sorts of flags." (Q. 997.) Three steamers from Kamstchatka, consigned to the United States under neutral flags, and carrying neutral cargoes of furs, were captured by the Japanese. The owners proceeded against the Japanese in the Prize Courts, but "it is two years now before they have come back." (Qs. 987-90.)

SPANISH-AMERICAN WAR.

When a Spanish squadron sailed east through the Suez Canal, the Americans thought that the Spaniards meant to attack them on the Pacific coast, and war risks went up to 12 guineas per cent., but here these risks could always be covered at 2 per cent. (Q. 859.) "The only serious damage which was occasioned was caused by the Americans capturing the steamers loading in the Gulf of Mexico. They stood in the Gulf of Mexico, and swept it. That was three days before war was declared." (Q. 904.)

TRANSFER TO NEUTRALS.

There might be a temporary transfer, but it would not be continuous. (Q. 852.) All the steamers captured in the Japanese war were under neutral flags.

(Q. 870.) "In the Russo-Japanese war practically all the ships were under a neutral flag, with the exception of the Nippon Yusen Kaisha and the Russian Volunteer Fleet." Rather higher rates were paid on the Japanese boats. (Q. 963.) In a war between England and France, in which the United States was neutral, the United States ships would have to pay pretty much the same war premium as British ships (Q. 999), though there would be a tendency for neutral ships not to bear such heavy rates of insurance as belligerent ships. (Q. 998.) What difference there was would be in favour of the neutral, but it is not "at all reasonable to draw a sort of picture of the British shipowner with all his ships laid up, and not getting a freight, while the neutral flourishes at his expense. In the Russo-Japanese war, which was a comparatively little war from the maritime point of view, there was a tremendous demand for freight." (Q. 1006.)

STRONG NAVY.

The only satisfactory way by which the State can help is by the maintenance of a strong Navy. Only a false sense of security would result from a scheme which would be a great expense to the country, and very little assistance in encouraging supplies of food and raw materials, and preventing transfers. (Q. 883.)

II.

NATIONAL INDEMNITY—OBJECTIONS.

(1) ***Bounty to Particular Industries.***—"If you have your national guarantee without cost, the country would be making a handsome present to the shipowner and merchant." (Q. 874.)

(2) *Cost.*—"You . . . may land the country into losses of millions, and you cannot stop it. An underwriter can stop it; he can close his books. If he sees the thing going against him he can refuse to take another line. The national guarantee must go on." (Qs. 878, 875, 958.) There is bound to be a great deal of capture. (Q. 925.)

(3) *Fraud.*—In ordinary commerce, if an owner has several steamers, and puts a fraudulent value on them, no one will deal with him in future, but the State would not be able to stop. (Qs. 918, 919.) There would be great chances of giving away a vessel to the enemy without being detected. (Q. 928.)

(4) *Valuation.*—"There would be great difficulties if, when the loss has come, the shipowner has got to prove what the value of his steamer is." (Q. 913.) "The custom of marine insurance is to admit the value of the vessel or cargo insured; it is not as in the case of a fire insurance. . . . To depart from this plan, and to substitute the value which State officials might decide to place on the vessel or her cargo would certainly not commend itself to either owners or shippers." (Q. 889.) Shipowners would not submit to a valuation *ex post facto*, by taking the cost of the ship and allowing depreciation. The value of the cargo would not be so difficult, because of the invoice and all the shipping documents. (Q. 890.) But values might be taken at the rate fixed for the marine insurance, so as fairly to secure the State. (Q. 966.) Those ships which are not insured with underwriters would not be a difficult case. "Those are the sort of people whom you can trust." (Q. 1010.)

(5) *Machinery.*—How is your machinery to be arranged in time of peace for a possibility of war in 15 years' time? (Q. 876.)

NATIONAL INSURANCE.

The extent to which a British ship would have to pay a premium might, in effect, be a bounty given to the neutral. (Q. 1003.) Though neutrals will also have to pay war rates. (Q. 1006.)

PURCHASED INDEMNITY.

Underwriters would welcome a scheme under yhich the State gave an indemnity in return for a fixed charge. Shipowners would prefer to deal with the underwriters to whom they were used, and against whom they could go to law, rather than the State, and if the risk were a good one, underwriters would accept it below the national guarantee rate. But they would refuse undesirable risks, and the loss to the State would be considerable. (Q. 892.) It would be quite possible for underwriters to act as agents for Government on commission. (Q. 954.) Purchased indemnity would act really as a steadying principle during the first months of a war, rather than over a long period. (Q. 953.) If the State had a fixed schedule for particular routes, underwriters would still undercut wherever they wished. (Q. 948.)

INDEMNITY WITH TIME LIMIT.

"Speaking on the spur of the moment, I should think that something of that description (*i.e.*, a short guarantee) might be distinctly advantageous, because if there is going to be any capture it is going to be in the first months. . . . If a scheme like that could be formulated, it would cost the State comparatively little, and could be comparatively easily worked." (Q. 1012.)

CO-OPERATIVE INDEMNITY.

"If there could be some system of co-operation whereby, for example, you could place in the market on current rates of premium, say, 40 per cent. of a risk, the State taking the balance, then the State would get round the difficulty of not having the expert; they would simply take advantage of the rate fixed by the expert to cover the risk run." (Q. 879.)

III.

CONTROL.

The secret of successful blockade running is secrecy, and it is undesirable for shipowners to furnish particulars. "It would be far better for the captain to take note of the general instructions of the Admiralty, and to know, if possible, where he may expect to find the British Navy protecting trade routes, and then take his chance without making detailed reports that might very possibly reach the enemy." (Qs. 887-8.)

STRACHEY, Mr. J. ST. LOE, Editor of the "Spectator" Newspaper. (Qs. 4896-5043.)

I.

DESIRABILITY.

"I am merely giving the baldest pious opinion of a journalist looking at the thing purely from the public point of view. That led me . . . to the belief that our position would be strengthened, and commercial risks would be minimised, if in some way or other we could make the shipowner and the trader each feel that war need not be a cause of panic to him, and need not be a cause of putting him at a great disadvantage as compared with his foreign competitors. . . . What one wants to do is to try and assimilate, as far as one can, war conditions to peace conditions. Roughly, let the Government say to the shipowner and the merchant

. . . . We will see you through—first of all by our naval strength, and secondly by indemnifying you against war risks in such a way that you shall not be handicapped by having to pay very large amounts." (Q. 4898.) It is rather the fear of loss than the actual amount of the loss that would probably be sustained, which is the serious factor. (Q. 4916.)

EFFECT OF WAR ON COMMERCE.

The general experience of war is that prices rise all round. Freights rise, and the prices of commodities rise, as well as the rates for insurance. (Q. 4903-4.) And there might be great disturbance in the London money market. (Q. 4910.) "A condition of war always seems to tend to put up all prices except stocks." (Q. 4951.) The real causes of rise in prices would be shortage of supply, due to shortage of freight (Q. 4952, 4958), and any actual loss by capture. (Q. 4953.) But the main rise would be due to the sentimental fear on the part of A.B. "that it would fall upon A.B.'s shoulders, and not upon somebody else. It is just the reverse of the gambler's hope. A gambler hopes that he will be the man for whom the lucky number will turn up; and so in this case each shipowner would imagine that he would be the man who would be unlucky." (Q. 4954.) The conditions of war and peace, in actual fact, must differ whatever is done. (Q. 4978.) In any case, there would have to be delays and deflections of commerce. (Q. 4966.)

THE EFFECT OF WAR ON PRICES.

In the long run, and apart from what has been called the "panic rise," or the "sentimental rise," the special rise in the price of corn in this country would be governed by the rise in freights, and nothing more. (Q. 5036.)

II.

NATIONAL INDEMNITY.

Arguments For.—(1) "At any rate, let us withdraw one element of panic and of the exaggeration of prices." (Q. 4911.) (2) The offer of a guarantee would certainly cause more ships to start upon their voyages. (Q. 4912.) (3) It would be worth while embarking upon such a large scheme as this, to eliminate the sentimental part of the rise of prices. (Q. 4960.) (4) The cost would be a small total compared with the war expenditure as a whole. (Q. 4945.)

Arguments Against.—(1) The fact that his owners were fully guaranteed might decide a captain to give in rather than to run from an enemy, with a chance of having a shot put through him. (Q. 5039.) (2) You cannot eliminate by an indemnity such influences as a man's fear for his own skin. (Q. 5043.) (3) There would be risk under a free indemnity of inflating values and encouraging fraud, "but I should have thought that might be guarded against." (Q. 4986.) The offer of a guarantee would be too great an obligation for the nation to assume if the command of the sea had been lost. (Q. 4941.)

NATIONAL INSURANCE.

If a ship and cargo were insured against all losses, it is possible that they might find themselves in a rather more favourable position in war than in peace; and in that case it would be reasonable for them to contribute something to the purchase of a State guarantee. But "unless you can absolutely adjust it, you still may be putting a handicap on them." (Q. 4979-80.) A scheme which would remove the disability without giving a bonus would be preferable. (Q. 5024.) The power to make a payment depends on the question of contraband. (Q. 5000.)

SCHEME A.

Is much to be preferred to Scheme B, as being the simpler. (Q. 4923.)

SCHEME B.

Insurance at fixed maximum rates varying in certain zones and voyages, so that the ship and cargo-owners would know at once the utmost that would be demanded of them for war insurance, would meet the case to a certain extent; "but I should have thought that if the Government were going as far as that it would be simpler to assume the whole risk. Of course, it would be very much better than nothing." (Q. 4991.)

III.

THOSE ENTITLED TO CLAIM.

It would be very difficult to discriminate between different kinds of cargo. (Q. 4921.) The shipowner and the cargo owner would have to give proof that they had insured against the ordinary perils of the sea. (Q. 4925.) Either by insuring themselves or insuring outside. (Q. 4927.) Indemnity should be limited to British shipping because there would be no control in the Courts over foreign ships. (Q. 5019.)

VALUES.

The value insured against for the sea risk would be the value upon which losses should be paid; it would tend to make values rather high, and would have to be controlled. (Q. 4928-9.) It would be open to the Government to show that a man had over-insured. (Q. 4930.) "I am afraid I have not considered" the effect of Government action upon the credit system on which our oversea commerce depends. (Q. 4931.) The Government would protect themselves as the present insurer protects himself. (Q. 4935.)

APPEAL.

There should be the ordinary remedy in the Courts. (Q. 4936.)

SUTHERLAND, Sir THOMAS, G.C.M.G., Chairman of the Peninsular and Oriental Steam Navigation Company. (Qs. 4257-4303.)

I.

DESIRABILITY.

"As a shipowner I am quite willing to welcome any indemnity project in this direction (*i.e.*, the continuance of our seaborne commerce in time of war and the arrival of food supplies), though I may greatly doubt its efficacy." If such a project "were to cover a broad and generous acceptance of all maritime risks in time of war, including life risk, and indemnity in the event of wounds and imprisonment, such a policy would hardly . . . . be accepted by the Legislature, as it would throw all losses on the taxpayer, while the profit would belong to one favoured class of the community. If, on the other hand, the indemnity were to be hemmed in by the restrictions suggested, it seems unlikely that shipowners or merchants would be better off under any Government scheme than by taking their war risks into the open market." (Q. 4260.) "No insurance would ever be adequate to encourage shipping, in my opinion, to pursue their voyages through a sphere or

an area where warlike operations were likely to be in existence, and where the danger of capture would be imminent. . . . . I need hardly add, however, that if you can formulate any scheme which you think would come into operation in case of war, I have no objection to the experiment." (Q. 4261.)

SHIPPING IN WAR TIME.

"The first effect of a war would be largely to lay up ships. There is no question whatever about that." (Q. 4259.) "What one would have to fear most would be the escape of a cruiser, say, from blockade." Insurance in such a case would be of slight practical value, since a cruiser "could not easily capture commercial ships; she could only sink and destroy them. Who is going to run the risk of sending ships to sea under those conditions?" (Q. 4261.) "If the dangers of capture, imprisonment and loss of life were very serious, which would be the case in the absence of a strong naval force, neither shipowners nor seamen would be likely to tempt their fate on the mere chance of recovering insurance." (Q. 4260.) "If our Navy were strong enough to give an effective patrol on seas where the enemy, properly speaking, had no business to be, for instance on the Atlantic, you would find ships running very soon, especially fast ships; the slower ships no doubt would be laid up to a very much larger extent." (Q. 4274.) The slower ships are the larger carriers, but we could carry on a diminished amount of work by fast ships which would give a better chance of safety. (Q. 4275.)

TRANSFERS.

"Seeing the extent of our tonnage, the extent of our shipowning power, and our resources to construct new vessels, which are superior to almost all the rest of the world combined, I should not myself be apprehensive of any great change in our position in that respect. . . . If it were possible at the outbreak of a war to transfer ships to a neutral flag by being well paid for doing it, a certain number of vessels would certainly be transferred. But I do not think it is probable myself that any neutral Power, or any body of neutrals, would be likely to come forward to buy anything approaching to the 16,000,000 tons of net registered tonnage which we now have under our flag." The value being well on to £250,000,000 or £300,000,000. There will be an almost insuperable difficulty in the way of getting effective transfers of ships to neutrals after the declaration of war. Probably a very big neutral would have a better chance of holding its own in a transaction of that kind than would a weaker neutral. Supposing that America stepped in to purchase our ships, probably the European Power with whom we were at war would not be so ready to fix a quarrel upon America as it would be to quarrel with Norway or Sweden or with any of the smaller Powers that are now in the habit of buying our ships, as things are at present. (Q. 4259.) "Naval wars nowadays are rather short, and there would be no time for America to create great engineering and shipbuilding establishments in iron and steel such as we have in this country. That is an absolute necessity for any Power that is to become a large ship-owning Power." (Q. 4260.)

WAR INSURANCE.

"I believe you can insure anything if you have a fair chance." (Q. 4270.) "The first result of a war would undoubtedly be panic all round and high prices. Then we should see very soon what was going to happen. If we had a chance of doing business there is no doubt business would be done." (Q. 4271.) It is impossible to form an idea of what the rates would be in war time. (Q. 4284.)

ALTERNATIVE.

"Should the circumstances of the country be so desperate that underwriters would not insure at any price, the Government might step in and charter ships to carry provisions, as they do now to carry troops and warlike stores. Such a state of affairs would imply that our Navy was not powerful enough to defeat the enemy's fleet in the open or to shut up their ships in its fortresses." (Q. 4260.) "If the chance is hopeless, and you cannot insure, and there is a question of getting food, I should think the best thing Government could possibly do would be to charter vessels and to convoy them." (Q. 4270.)

THE STRENGTH OF THE NAVY.

"It is absolutely necessary, if you are going to have any insurance system that will be operative, that we shall have a very strong Navy, because otherwise any scheme of indemnity with regard to shipping in war time would. . . become a dead letter." (Q. 4259.) And "why, if our Navy is a strong one, should the country speculate in war risks? If there is a reasonable chance of safety and large gains. . . . there will be plenty of enterprise forthcoming without the intervention of the Government." (Q. 4260.) Whatever money we have to spend had better be spent on keeping the Navy strong than on paying for losses which might occur through a weak Navy. (Q. 4276.)

II.

NATIONAL GUARANTEE.

"The idea of insuring our commerce in war time so as to keep our ships at sea is one which was very much ventilated in 1885, at the time of the Russian scare about the Penjdeh affair. . . . Nobody could ever discover any means by which the idea could be practically applied, and as soon as the danger was over the idea evaporated, until, as far as I know, the Royal Commission on the subject of our food supply. . . . In 1884 and 1885 there was a great uproar about the weakness of our Navy." (Q. 4259.) If the State is to give a guarantee, it would be better that the shipowner and cargo-owner should contribute something in time of war only. (Q. 4300.)

NATIONAL INSURANCE.

Arguments against.—(1) "It would mean, I suppose, imposing a heavy burden upon the ship-owning community, and I do not think such a scheme would ever have a chance of going through Parliament." (Q. 4262.) (2) It would be absolutely impossible to have any system of insurance at fixed rates laid down in peace time beforehand. (Q. 4289.) The rate must wait upon circumstances; you cannot settle it. (Q. 4296.) (3) Any scheme of indemnity would be a dead letter without a very strong Navy. (Q. 4259.) (4) Why, if our Navy is a strong one, should the country speculate in war risks? (Q. 4260.)

III.

CONTROL.

"Of course, if the conditions of the policy required the shipowner to follow certain routes, the policy would be vitiated if he did not follow them. . . . But . . . . while the Admiralty would be very likely to be the most competent authority to give advice to shipowners as to the way in which they should navigate in time of war, and advice which shipowners would be only too glad to follow, circumstances might arise when even information outside the Admiralty came, which would guide a clever shipmaster in following, perhaps, some other line." (Q. 4303.)

TOOMEY, Mr. J. A., Manager of the National Bank of India, and Representative of the Exchange Bankers' Association. (Qs. 4624-4787.)

I.

THE EXCHANGE BANKERS' ASSOCIATION.

This Association represents the Hong Kong and Shanghai Bank, the Chartered Bank of India, Australia, and China, the National Bank of India, and the Mercantile Bank of India. (Q. 4702.) They do the largest share of Indian and Far Eastern business. (Q. 4703.) A fair amount of it represents Continental business. (Q. 4707.) The largest proportion is done by bills of exchange on London. (Qs. 4705-6.) Most of the goods would be in British bottoms. (Q. 4708.)

DESIRABILITY.

A scheme of national guarantee would add much to the confidence of the mercantile community, and would facilitate trade to a very large extent. (Q. 4685.) It would be highly desirable for the State to adopt Scheme B. "I cannot say that it is absolutely necessary, but I think it is a good scheme." (Q. 4774.)

EFFECT OF WAR RATES ON PRICES.

Even when proper allowance has been made for other disturbing factors, marine insurance rates would count for very much in the total. (Q. 4640.) War would tighten money, and make bankers more cautious, and trade would not be carried on with the ease it is carried on in peace. (Q. 4635.) Freights and all charges would be higher. (Q. 4637.)

MARKET FOR WAR RISKS.

Without a Government guarantee we should have to get on as best we could with the existing machinery. (Q. 4699.) Bankers would continue to take insurance policies of good companies up to a certain point. (Q. 4700.) It is conceivable that there might be great difficulty in getting insurance against war risks in the event of a very big European war, "but I do not think it is probable." (Q. 4738.)

II.

NATIONAL GUARANTEE.

The object would be that trade should be carried on with as little disturbance as possible, and that vessels should continue during war as in peace. (Qs. 4759-60.) But "if you are only to be allowed to proceed when there is not much risk, is the indemnity very much good? Does it allow commerce to go on during war as during peace?" (Sir James Mackay.) (Q. 4767.) It would encourage ships to sail, even though it did not insure their arrival. (Q. 4643.) It would be primarily for the benefit of the shipping community. (Q. 4676.) No special provision need be made for it beforehand. "The Chancellor of the Exchequer could do the best he could later on." (Q. 4674.)

SCHEME B.

The Exchange Banks are in favour of Scheme B, whereby State insurance of war risks would be provided on payment of a premium by shipowners or shippers of goods, and they consider that the scheme should be extended to all ships of British register and their cargoes. (Q. 4629.) The Government should fix a maximum rate, beyond which it would not go under any circumstances during the continuance of hostilities. "That would give great confidence to the mercantile community." (Q. 4661.) "It would be a good thing if the State could charge rates of premium just calculated to cover any losses, but you could not very well do that, and therefore we should say: Fix your rate of premium rather on the low side than on the high side." (Q. 4718.)

SCHEME A.

"If public notice was given that the Government covered all risks free of cost we should then be satisfied with our ordinary insurance policy; we should not require any policy covering war risks." (Q. 4757.)

ZONE RATES.

A schedule of rates fixed in peace time for particular zones of the world would satisfy the trading community if it were known that from the moment war broke out, or even before war broke out, the State was ready to insure at those rates. (Q. 4777.)

III.

PERSONS ENTITLED TO CLAIM UNDER AN INDEMNITY.

All ships of British register and their cargoes. (Q. 4629.) An arrangement might be made with the Indian and Colonial Governments by which they should share such losses as might be incurred. (Q. 4630.) Cargoes in British ships should be covered, whether British or foreign owned. (Qs. 4716-17.)

CONDITIONS TO BE COMPLIED WITH IN ORDER TO SECURE INDEMNITY.

The guarantee to the holders of bills of lading should be absolute, but the guarantee to the shipowner should be dependent on his carrying out the Admiralty conditions. (Qs. 4647-8.)

Policy.—Each shipper of cargo should have a sort of State policy covering his war risks, which could be handed to banks on negotiation of bills of exchange. (Q. 4653.) Each separate venture would be represented by separate policies. (Q. 4654.) In time of war it would be a *sine quâ non* with bankers that all bills of exchange and all documentary bills should have the war risk covered. (Qs. 4710-11.)

Premium to be Paid.—The rates of premium should be varied from time to time according to the circumstances. (Q. 4665.) State insurance should not be compulsory, "but I think the State should be able to do it at lower rates than ordinary insurance companies, because there would be no margin of profit to provide for." (Q. 4662.) An absolute maximum should be fixed to give confidence. (Q. 4691.) If the calculation were properly made, the only difference between the premium exacted by the State and the premium exacted by the ordinary underwriter would be the profit which the underwriters ought to get. (Q. 4735.) A higher premium would not be charged for diamonds than for wheat. (Q. 4671.)

MACHINERY.

Government should have all the materials cut and dried before the outbreak of war, and have agents appointed (Q. 4749) all over the world. (Q. 4745.) The premium would have to be fixed at the central office, and the different agents would have to be advised. (Q. 4746.) "You could get experienced men to act on behalf of the Government." (Q. 4725.) The amount of work to be done might be equal to the ordinary peace work of Lloyd's and all the insurance companies put together. (Q. 4657.) A Government officer should be appointed to take charge in peace time and to perfect the scheme. (Q. 4753.) In order to get a good man a good salary would have to be paid, even though he had practically no work until a war broke out. (Qs. 4755-6.) "I think the business would work smoothly after a very short time." (Q. 4747.)

WRIGHT, Mr. CHARLES, Insurance Broker; Member of Lloyd's; Deputy Chairman of the London Salvage Association. (Qs. 1963-2114.)

I.

DESIRABILITY.

"My opinion is that the State cannot usefully intervene in the matter at all, and that if it decided to intervene, it should do so upon the second plan —namely, by means of a national guarantee which is paid for, not a gratuitous plan." (Q. 1966.) It cannot be maintained that under a gratuitous plan business will continue in the same condition as in the time of peace, because under the plans submitted shipowners are to be placed under Admiralty direction, and therefore that basis of the scheme is given away at once. (Q. 1967.) Though there is no doubt that a scheme of indemnity would induce shipowners to send their vessels to sea at a time when, without such an indemnity, they would not do so. (Q. 1968.) If the ships arrive, a State guarantee is unnecessary. If they do not arrive a guarantee will not help the country. (Q. 1985.) "The notion of giving away this indemnity strikes me as being grotesque." (Q. 2040.)

WAR INSURANCE.

Experience of wars in which we have not been engaged does not lead one to suppose that the rates will rise in the early stages of the war out of all proportion to the risk. On the contrary, the competition of underwriters tends to depress rates below a remunerative level. (Q. 1972.) The premium for war insurance would seldom be exactly in correspondence with the risk run. It would sometimes be more; it would just as often be less. The tendency would be to underestimate the risks if the British fleet kept its end up; if it did not, then ships would not be insurable at all. (Q. 2034.) The capture of one or two Atlantic liners would have a tremendous effect upon the insurance market, but if one or two moderate-sized tramps were captured the effect might be comparatively small. (Q. 2065.) The capture of three tramps between Gibraltar and England in one day would raise premiums considerably on this voyage, but would hardly affect Atlantic voyages. (Q. 2066.)

The Present War Policy.—"What generally happens is this, that a war comes upon us unexpectedly; we then naturally fall back upon the only document we have got. That gets used continually. Then people will not take anything else; they get nervous. They say, 'Here is an alteration; I must go to my solicitor and find out what it means.' . . . And then everybody says, 'This is very unsatisfactory; we ought to alter it.' Then the war finishes, and they say, 'Oh, it is no use altering it now, the whole thing is at an end.'" (Q. 2009.)

Panics.—Panic rates are a serious inconvenience, but "I look upon them myself as being rather salutary, because so far as they tend to inconvenience . . . and so far as they indicate that war would bring with it still greater inconveniences to commerce, they are an element and a factor in favour of peace." (Q. 1991.) Experience is against the probability of panics, owing to unjustifiable apprehension. (Q. 2037.)

MARKET FOR WAR INSURANCE.

It is not so large as the market for general insurance, and as the risk intensifies the market tends to be restricted. The greater the risk, the smaller the market. (Q. 1973.) If there were indications that the British Navy was not likely to protect our commerce effectively, rates would probably go up enormously, and the market would be greatly restricted. (Q. 1974.) So long as the fleet was undefeated, the market would be sufficient to cover the whole of the British mercantile marine against war risks. (Q. 1975.) There would not be the smallest difficulty in covering further the risks of each individual venture, however large that venture was. (Q. 1977.) Since the time when we were engaged in war the insurance market has very much increased. At the time of the Napoleonic wars there were only two insurance companies, and Lloyd's was a comparatively small institution. (Q. 1976.) "I think if the British fleet maintained its position war risks would be a somewhat attractive form of risk. If the British fleet were defeated, war insurance, I have no doubt, would become absolutely impossible." (Q. 1977.) Increased premiums might tend even to enlarge the market, provided they appeared to be adequate. In the Russo-Japanese war there was a large market at the 30-guinea rate. (Q. 2068.)

PRICES AND WAR RATES.

The price of commodities at the port of discharge does not depend upon what it has cost the merchant, or cost the shipowner, to bring the goods in, but depends upon the fact whether captures do or do not take place —that is to say, whether there is a scarcity in the supply or superabundance. "If there be a scarcity in the supply, no scheme of insurance would ever prevent the price from rising. If there be an abundance, then, however dear insurance may be, the price must be depressed." (Q. 1979.)

SHIPPING IN WAR TIME.

"I should anticipate that captures would take place, especially perhaps in the early stages." (Q. 1969.)

RUSSO-JAPANESE WAR.

"It being supposed that the Japanese were paramount at sea, rates of insurance were absurdly small to Japan. It being, on the other hand, supposed that the Russians were weak at sea, rates to Vladivostock were gigantic, but at the same time insufficient." (Q. 1981.) Even after the terrible experience they had had, underwriters, as soon as the Russian fleet was substantially destroyed, "started writing risks at nominal premiums, and suffered severe losses by one or two cruisers that went about sinking these steamers. Underwriters are a most sanguine race of men." (Q. 1994.)

NEUTRALS IN WAR TIME.

In the Russo-Japanese war there was no great respect shown to neutrals. (Q. 2026.) In the future these international arrangements will probably count less and less. Nations will do whatever they will to inconvenience the other belligerent, so far as they can do it without inconvenience to themselves. (Q. 2027.) The only deterrent being the possibility of quarrelling with the neutral if they carried interference to a vexatious extent. (Q. 2028.) If it paid them, our enemies would certainly declare corn in United States vessels to be contraband, and would confiscate those vessels. (Q. 2030-1.) It is more than likely that foodstuffs, raw materials, and manufactured goods will be declared contraband, and so the neutral will be put in the same position as the belligerent in regard to war insurance. (Q. 2045.) "The late war has shown that the supposed immunity of neutral vessels is largely illusory. They have been captured under circumstances that seemed to be totally devoid of justification. . . . They have been promptly condemned, and it appears to me that with a neutral vessel the chances are not very superior to those of a vessel belonging to one of the belligerents." (Q. 1987.) "Our own courts have a most remarkable habit of being extremely tender to the foreigner." (Q. 1989.)

TRANSFERS TO NEUTRALS.

"I think there were attempts in the Spanish-American war to transfer vessels to the British flag. It did not work in the least; why should it?". (Q. 1988.) Transfers during the American Civil War afford no guide to the future. "It being a civil war strictly localised, a transfer to the British flag would probably be much more likely to be operative than it would at the present day." The unwillingness of one of the belligerents to extend the area of the war had to be taken into consideration. The transfers were never challenged, and if they had been challenged, neither party would have cared to maintain the challenge. (Qs. 2022-2025.)

ALTERNATIVE SUGGESTION.

"In the event of war, it would certainly be an advantage to the commercial community if they were quite sure of the solvency of their underwriters, and I have submitted that the State might be useful to the commercial community if they were to guarantee the solvency of existing insurance companies and underwriters, so far as war risks are concerned." (Q. 2015.)

II.

NATIONAL INDEMNITY: OBJECTIONS.

(1) *Fraud.*—"One of the strongest arguments for insurance in the usual manner is that such insurance prevents fraud, and it also tends to prevent losses. . . . The payment of a substantial premium is a deterrent to the fraudulent." Thus a swindler might ship produce or goods, either worthless or of very inferior quality, and declare them at a fancy value. "Then should it (the ship) be captured, his documents will all be in order, and he will recover the declared value from the State. But if he were compelled to pay a heavy premium, he could not afford to face the possibility of safe arrival." (Q. 1996.)

(2) *Subsidy to Shipowners and Merchants.*—These would be enabled to make immense profits by virtue of being relieved of the most serious element in their business, and at the same time being able to take advantage of the enormously enhanced prices consequent on the scarcity following on captures. (Q. 1983.)

(3) *Subsidy to Foreigners.*—"There is no inconsiderable number of British steamers owned almost entirely by foreigners. One effect of the development of joint stock enterprise is that the old rule of law prohibiting foreign ownership of a registered British vessel is evaded." (Q. 2002.)

(4) *Subsidy to the Enemy.*—"Ownership of goods passes by endorsed documents, and if this custom be limited, commerce would be paralysed. Any attempt to go behind the holder of bills of lading and policies would, I believe, be highly detrimental to business, and acceptance of the usual tests of ownership might obviously result in subsidising the enemy. Assume war with Germany. A German house instructs its branch in Argentina to ship grain in a British bottom to England. The insurance is effected in the name of an English firm; the bills of lading are handed to the English firm, who pay for the cargo. The Germans capture the steamer, the loss is duly collected, and the enemy has got the cargo as well as payment for it." (Q. 2003.)

SCHEMES A, B, AND C—CRITICISM.

(1) *General.*—"I am quite as thoroughly opposed to Scheme B (as to Scheme A), unless steps are taken to charge a premium commensurate with the risk. It is only because I do not think it could be done effectually that I object to Scheme B at all." (Q. 2005.)

(2) *Fraud.*—The provision in Scheme C that indemnity would not be paid unless a vessel had insured her ordinary marine risks would not prevent fraud, because the marine risk would probably be a mere bagatelle. "You might have your fraudulent shipment in a first-rate ship without the cognisance of the shipowner at all. Then the ordinary marine risk on that might be a ¼ per cent., or might be 3s. 4d. per cent. . . . War risk might be very serious. He would have to think twice before he embarked on that little fraud." (Q. 2039.)

(3) *Control.*—Supposing the State tried to charge an insurance premium, the men employed to set the rate would be almost certain to quote lower rates in consequence of their new position. "I do not suggest that they would not wish to do their duty . . . but there would be the impression: What I have got to do is to facilitate the business of the country, and I cannot do that by charging 30 guineas per cent. The whole thing would become loose, and they would want to oblige this man and oblige that man, and it seems to me that none of the ordinary methods that govern a business man would operate in such a case." (Q. 2006.) It would be extremely difficult and extremely impolitic to set up a Marine Insurance Department after the outbreak of war, but very much better than giving a gratuitous indemnity. (Q. 2079.) "If you fix a premium beforehand, then you will get all the bad risks, and the underwriters will get all the good ones." (Q. 2101.)

(4) *Injustice to Consumers.*—The merchant and shipowner would gain at the expense of the community. (Q. 2096.) The consumer would have to pay not only the indemnity, but also the enhanced price resulting on scarcity following on captures. (Q. 2103.) But it might, by steadying insurance throughout a war, be useful in keeping things going. (Q. 2108.)

(5) *Need for a Policy.*—"I would strongly . . . . advise the Committee that should they adopt this scheme, they should have a thoroughly scientific war policy evolved; consult the best people, and get a new policy altogether, and have done with this absurd old war policy that we have got. To take an example of the inconvenience of our war policy: A vessel is captured, and at once news reaches the owner of the fact of capture. There is authority for believing that he is thereupon entitled to abandon to his underwriters, and to obtain payment of a total loss, although perhaps before a week or two has elapsed that vessel may be released. . . . That perhaps puts an owner in the position of receiving £40,000 for a vessel which is only worth £25,000, merely by the fact of its being for a short time in the possession of a belligerent." (Q. 2008.) The risks taken under Schemes A and B are larger than those covered in an ordinary war policy. The underwriter who issues a war policy does no more than say that he will cover all the risks which are excluded by the "Free of capture" Clause from the ordinary policy. (Q. 2008.)

(6) *Values.*—It is very desirable that all values should be agreed at the time when the insurance is taken out. If they were left open there would be a grave danger of their shrinking in the event of arrival, and appreciating very heavily in the event of loss. (Q. 2010.) Values are constantly settled after the loss has occurred—*e.g.*, after a collision, where the wrongdoing ship has to pay for the sunk ship, the value is proved, and it is proved fairly to the satisfaction of all parties. (Q. 2011-2012.) But in war time a man venturing on a voyage ought to know what would happen to him in the event of capture, and the value which might satisfy him in ordinary circumstances might not be sufficient in the event of war. (Q. 2013.) "A man knows pretty well what he will get from the Registrar of the Admiralty Court, and he would know what a Committee of this nature would give him. But with goods I do not know where we should be landed under a scheme of gratuitous indemnity." (Q. 2078.)

(7) *Settlement of Claims.*—Disputes should be transferred to the ordinary tribunals. (Q. 2018.)

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NATIONAL GUARANTEE FOR THE WAR RISKS OF SHIPPING.

(Treasury Committee.)

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APPENDIX I

Schemes A & B.

SCHEME A.

SCHEME FOR A NATIONAL INDEMNITY (WITHOUT PAYMENT OF PREMIUM).

I.—*Persons entitled to claim Indemnity.*

(a) The owner of any ship registered in the United Kingdom.

(b) The owner of any cargo liable to capture carried in such ship.

II.—*Losses to be covered by Indemnity.*

Capture, seizure, and detention by the King's enemies, and the consequences thereof or of any attempt thereat, and all consequences of hostilities or warlike operations by or on the part of the King's enemies, whether before or after the declaration of war, as ordinarily covered by an English policy.

(N.B.—It is not intended that losses through delay or diversion of route in consequence of Admiralty instructions issued under III. should be covered by this clause. But it would be necessary to use words which would cover any loss sustained in the improbable contingency of the ship or cargo being prevented by such instructions from reaching the country of destination.)

SCHEME B.

SCHEME FOR A NATIONAL GUARANTEE ON PAYMENT OF A PREMIUM, *i.e.*, FOR A SCHEME OF PURCHASED STATE INDEMNITY, OR STATE INSURANCE.

I.—*Persons entitled to claim Purchased Indemnity.*

(a) } As in Scheme A.
(b) }

(N.B.—It is a question for consideration whether the guarantee should be extended to all ships of British register and their cargoes, or whether Indian and Colonial shipping should be left for the Indian and Colonial Governments to deal with on similar lines.)

II.—*Losses to be covered by Purchased Indemnity.*

(As in Scheme A.)

(As in Scheme A.)

SCHEME A.—*Continued.*

III.—*Conditions to be complied with in order to secure Indemnity.*

In the event of war the shipowner shall notify to the prescribed Department, at such time as may be directed before the commencement of the voyage, his intention to sail; and shall furnish such particulars as may be required; and shall comply with any directions issued by the Admiralty with regard to the date of sailing, the route, and the navigation of the ship.

(N.B.—Special provision would be made to cover the case of ships already at sea on the outbreak of hostilities.)

SCHEME B.—*Continued.*

III.—*Conditions to be complied with in order to secure Purchased Indemnity.*

(a) The shipowner and the owners of the cargo desiring to be guaranteed shall take out a State Policy, paying to the Government a premium to be fixed in advance.

(b) The shipowner shall comply with any directions issued by the State with regard to the date of sailing, the route, and the navigation of the ship.

(N.B.—In fixing the rate, regard should be had to the following considerations:—

(1) The maintenance of the supply of Food and Raw Materials at a reasonable price.

(2) The continuity of maritime transport and trade under the British flag.

(3) That, subject to conditions (1) and (2), the loss to the State shall be minimized as far as possible.

It is for consideration whether the rate or rates having been fixed in advance should or should not be raised during war. They might no doubt be lowered if experience showed that, in consequence of the development of the naval operations, the burden had become too heavy.)

SCHEME A.—*Continued.*

IV.—*Value on which Indemnity shall be claimed.*

(a) The value of the ship at the time of capture.

(b) The value of the cargo at port of shipment plus insurance and freight to port of destination.

(N.B.—It is to be observed that the obligation to notify the prescribed Department and to comply with the Admiralty instructions is imposed on the shipowner only, since he alone controls the vessel. It is for consideration whether or not the owners of the cargo should lose their right to the indemnity if, in spite of their instructions on shipping the goods, the shipowner fails to comply with the conditions laid down under III.)

V.—*Settlement of Claims.*

(a) Claims to be settled by a Board of not less than five members, to be selected from time to time by the prescribed Department from a list of persons willing to serve.

(b) The decision of the Board to be final as to the validity and amount of claims.

(c) Claims to be paid by the Treasury forthwith on certificates issued by the Board.

SCHEME B.—*Continued.*

IV.—*Value on which Purchased Indemnity shall be claimed.*

(a) (As in Scheme A.)

or (alternatively)

The value of the ship as agreed at the time the insurance is taken out.

(b) (As in Scheme A.)

(As in Scheme A.)

V.—*Settlement of Claims.*

(As in Scheme A.)

APPENDIX II.

Memorandum covering "Scheme C" for the National Indemnification of the War Risks of British Shipping and Cargoes submitted by Captain Sir CHARLES OTTLEY, R.N. (a Member of the Committee).

The terms of reference instruct the Committee to consider :—

1 Whether any system of National Indemnification of war risks of shipping is desirable.

2. Whether such Indemnity should be given gratuitously or only on payment.

3. What conditions should be attached to the grant of Indemnity, and what arrangements should be made for the proper working of the scheme.

Upon the first question, as a matter of pious opinion, the Committee would probably reply affirmatively. But, upon the practical issues raised by the second and third questions, our recent discussions disclosed a sharp divergence of view.

The opponents of "Scheme A"—Gratuitous Indemnity—base their objection to it mainly upon the argument that in effect such a scheme would impose an additional burden on the taxpayer in order to subsidise an individual interest (that of British shipping) at a time when the public at large was suffering from the heavy taxation and national impoverishment inseparable from a state of war.

This consideration—it has been urged—must stamp any scheme of Gratuitous Indemnity as fundamentally inequitable, and will weigh so heavily with the Government and the House of Commons as to shut out all prospect of legislation on such lines. In other words the critics of "Scheme A" regard it not merely as unsound in principle but Utopian from the standpoint of practical politics.

On the other hand, those in quest of a scheme of national indemnification of war risks, which shall effect its purpose (of enabling British shipping to compete in war with neutral shipping) in a manner at once equitable and practicable, have most serious misgivings as to the possibility of working the alternative "Scheme B" (indemnification on payment of premiums).

Under these circumstances there appears some danger that the labours of the Committee may after all prove fruitless, since we may find ourselves unable to formulate any practicable scheme.

There seems little hope that we shall feel justified in reporting in favour of any proposal on the lines of "Scheme A" (to which we are assured there are insuperable objections from the standpoint of practical politics). Nor are we likely to recommend a plan based on the lines of "Scheme B" (to which recent experience of the working of a somewhat similar National Insurance scheme during this year's manœuvres has shown that there are scarcely less insuperable difficulties from the standpoint of practical administration and working).

The third alternative, "Scheme C," which is submitted herewith, seems to promise escape from the above dilemma.

It is clear that if the owners of British ships and cargoes captured by the enemy are to be indemnified, someone will have to pay the loss. The real issue between the supporters of "Scheme A" and of "Scheme B" is whether each individual British taxpayer is to share that loss or whether a much smaller number of British taxpayers (the shipowners and underwriters, etc.) are to bear it.

Upon this point the advocates of purchased indemnity have pronounced an unhesitating opinion. It is most unfair (they say) to distribute the loss evenly throughout the community. What interest—they might enquire—has a grazier in the Midlands in the safety of a cargo of Welsh coal captured in the Atlantic? Can any valid argument be adduced to justify the demand that such a man should contribute a farthing to reimburse the owner of the ship and her cargo?

Although there is probably little doubt that to such a question an affirmative reply may truly be given, it might perhaps be difficult to convince the grazier that such was the case. And while the dictum that every soul in the British Isles has some interest in the maintenance of our Mercantile Marine in a flourishing condition, may safely be accepted, it will certainly be impossible to prove the larger theory that every individual Briton has an equal interest in the security of British shipping in war.

Logically, therefore, the proposal, "Scheme A," to distribute the burden of indemnifying British shipowners and underwriters directly and in equal shares between all British taxpayers is no less inequitable on the one hand than is the alternative proposal, "Scheme B," for confining the contribution entirely to a levy upon the shipping interests on the other.

As in any case (unless our labours are to prove entirely abortive) money to indemnify the losses of British shipping and cargoes will have to be found somehow; the practical question is therefore narrowed down to an enquiry whether any fiscal arrangement can be suggested which shall equitably distribute the burden between the various parties concerned in a true proportion to the interests of each in the security of our shipping interests in war.

This defines the purposes for which our Committee has been called together, purposes plainly national in character. We are convened in the public interest. We have so to frame our proposals as to ensure that their cost shall be the minimum needed to produce an efficacious scheme of National Indemnity. Our scheme must be such as shall afford to British shipping and cargoes a sufficient guarantee against war risks to enable our vessels to continue to compete with the shipping of neutrals in war time.

More than this I submit we need not attempt to effect. It seems no part of our duty to recommend a scheme of indemnification for demurrage, deviation, and collisions arising therefrom, loss of markets and subsidiary and incidental war losses, other than those of capture or destruction by the enemy, unless this can be shown to be necessary to the above end. These considerations fix a maximum indemnity for British ships, beyond which we need not go. That maximum indemnity must be just enough and no more than sufficient to enable our vessels to continue to compete with their foreign rivals in war time.

Subject to the above proviso, there is nothing in our instructions which in any way assigns a minimum limit to our power of reducing the guarantee to be extended to British merchant shipping and cargoes to the smallest possible terms.

To put the matter another way. Under present conditions, the war losses due to capture of British merchant ships and cargoes will fall entirely upon the private commercial and underwriting interests directly concerned, at all events in the first instance. Consequently, when the nation approaches British shipping interests with the offer of a National Guarantee, it is in a very strong position. It proffers something where there is nothing at present, and therefore has to decide, not whether it will offer to take all the risks implied in an unconditional guarantee of our shipping interests against every kind of war risk, however indirect and consequential, but whether it shall guarantee our vessels and cargoes against any war risks whatever. It is for the Government to formulate the offer, and for the shipping interests to accept its terms.

That, even under a system of National Insurance such as "Scheme B," the Government offer would be a most generous one can scarcely be denied. Sir George Clarke clearly tells us that under no circumstances are the very small premiums he advocates to be increased during the continuance of a war, no matter how great may be the losses incurred by the Government due to ships captured by the enemy. There is then no certainty that "Scheme B" will be self-supporting, and its most strenuous advocates admit that the taxpayers may be called upon to make good its financial shortcomings. In other words, even under the system of Insurance the Government takes an immense risk. Under "Scheme A" the risk of the Government is, of course, enormously greater.

This being the position, it cannot be too strongly insisted that it is for the Government and the taxpayers (the donors of this great gift) to dictate the terms of the guarantee which the former, as the custodians of the public purse, are willing to extend to our shipping interests in war time, and in framing a decision on this point, the following considerations should, it is submitted, be borne in mind :—

(1) The Guarantee should do no more than is necessary to protect British shipping interests (vis-à-vis to neutral shipping interests) to such an extent as to keep British ships and cargoes at sea.

(2) It will be expedient to cut down the cost of administration and working of any system recommended to an irreducible minimum.

(3) It is plainly undesirable (if it can be avoided) to incur the cost of creating a standing official organisation in peace time for such a purpose as administering a system of National Guarantee in war time.

As regards (3) it seems pertinent to emphasise the fact that British shipping has been almost entirely immune from risk of capture at sea in war for ninety years past. In other words, an office started in 1815 for the insurance of war risks of shipping would have had to wait nearly a century for an opportunity of justifying its existence, and we may hope would have to wait also for many more years to come.

And next, since we are dealing with a question which is primarily one involving national finance, it may rightly be asked what the average British taxpayer and voter will understand by a war risk to a British merchant ship and her cargo?

Would he not be apt to reply that, in last analysis, such a war risk resolves itself into the liability of that ship and her cargo to capture or destruction by an enemy?

Experts in Marine Insurance would no doubt urge that over and above this pre-eminent danger of capture or destruction there are in point of fact countless collateral interests connected with shipping and cargoes which a state of war jeopardises and injures, but the average Briton would be prone to answer that these lesser and more indirect risks were of such infinitely small importance by contrast with the menace of capture or destruction by the enemy, as to be practically negligeable. And as a practical question would not this be the commonsense view of the matter? The practical sympathies of their fellow-countrymen might readily go out to the owners of a ship captured by the King's enemies (in view of the plain and palpable loss of money and goods thereby entailed), whereas demands for indemnification of war losses due to demurrage, deviation of the ship from her track when chased by the enemy, loss of markets, and so forth would be likely to be viewed askance by our people at a time when every individual in the Kingdom was suffering under the privations and heavy taxation due to war.

Considerations of this kind might, even taken by themselves, serve to indicate the lines upon which a solution of the problem of National Insurance should be sought. But these considerations stand by no means alone.

The practical experience in the Naval Intelligence Department of a scheme of National Insurance (even without the payment of premiums) during the Grand Manœuvres has convinced us that the settlement of claims for "consequential damages" such as those alluded to above is a matter of the utmost difficulty. Whether a ship has or has not deviated a few miles from her track to escape from an enemy cruiser is not always easy to prove. A collision between two merchant ships, one of which claims that she had altered course to avoid capture, gives rise to lengthy litigation. Neither is it a simple matter, even when the liability of the Government has been substantiated, to assess the precise amount of pecuniary loss thereby incurred by the owners and underwriters. Under either "Scheme A" or "Scheme B" the claims will, in the immense majority of cases, be of this kind. Under "Scheme C" no such claims will arise.

But a ship captured or destroyed by an enemy—even if this included the case of a ship which runs ashore to escape capture—represents a clear cut and concrete loss about which there can be no manner of question or debate whatever. The value of any British vessel, hull and machinery, can at any moment be ascertained from the official registers. The value of her cargo can usually also be ascertained with equal ease by documentary evidence, and a fundamental part of the proposal outlined in "Scheme C" would be that the onus of proof of the value of the ship and cargo captured or destroyed by an enemy would rest upon the individual owners and underwriters concerned. This would result in the important advantage that in peace time there would be no organisation whatever required, the necessary arrangements being limited to the summoning instantly on the outbreak of war of a Committee of Claims, including representatives from Lloyds, the Treasury, and the Admiralty, with an Average Adjuster and others. Before this Committee the Underwriters and Shipowners would lay their claims.

Under "Scheme C" the Government would forthwith proclaim its intention to make good to the owners of all British ships and cargoes (so far as the latter are liable to capture), the actual value of the vessels and goods captured or destroyed during war time by the King's enemies.

This Proclamation, which would be made in peace time, would be accompanied by the announcement that no subsidiary or less direct loss or damage to owners of ship and cargo (consequent upon divergencies from her course to avoid capture, and demurrage due to the action of the enemy) would be made good by the State, and that the losses under this head must be provided against privately between owners, underwriters and insurance agencies as heretofore.

Would such a National Guarantee be wide enough in its scope to solve the problem on which this Committee is now deliberating? In other words would it afford sufficient support to British ships to enable them to continue in war to follow the seas upon their lawful occasions, notwithstanding the stress of neutral competition?

When it is remembered that a British shipowner will (presumably) reap, at all events, some benefit from the cessation of the enemy's carrying trade, and that a great stimulus is likely to be given to British shipping by the transport of troops and stores for any over-sea expeditions which may be organised, and that in no case (provided they have complied with the requirements issued to Lloyds by the Admiralty) can owners or underwriters incur any large loss of capital due to the capture of ship or cargo, it is confidently believed that the reply to this enquiry will be in the affirmative.

As already pointed out, the incidental advantages of this proposal are that it will entirely do away with any necessity of instituting, in peace time, any official organisation or public insurance office, since, as already said, all that will be necessary to put the scheme in practice will be to proclaim as soon as may be, in peace time, our intention to recoup British shipowners and underwriters for bona-fide losses sustained by them due to the capture or destruction of British ships and cargoes by an enemy in war. Nothing more need be done till war breaks out. The effect of the Government Proclamation above mentioned would be that the great insurance firms would forthwith carefully reconsider the wording of the policies to be issued to British ships to cover risks in war time. It is interesting to inquire what will be the consequent reduction (due to the disappearance of his liability to make good losses due to destruction or capture) which an insurance agent will be likely to grant on a given war premium.

If, before the British Government had taken over the risk of capture or destruction by an enemy, the premium demanded was, for example, five per cent., what premium will be needed to cover the remaining comparatively trifling subsidiary risks (due to demurrage or divergencies, &c.) when the only really heavy risk of capital loss is covered by National Guarantee? Will the remaining war risks be one-fourth the original amount, or will they, as seems perhaps more likely, be sufficiently covered by a premium of a much smaller figure? Upon such points experts only can decide.

It will be noticed that under this scheme shipowners and underwriters will not escape scot-free. They will still be compelled to insure (as heretofore), not only against ordinary marine risks, but also minor war risks. But what the scheme would do would be to render British shipping once for all immune from the danger to which it is at present exposed of being driven off the seas in war time, or in anticipation of war, by panic rates of war insurance due to dread of wholesale captures.

One important question still remains to be discussed, namely, the best means of raising the necessary war fund to pay for the losses of British ships captured.

It is not proposed that any fund should be created for this purpose unless and until the necessity imposes itself by a British Declaration of War, nor that, on the termination of the war, the special tax imposed should be continued for a single day. In the first few days of the war claims for losses due to captures would be settled in the first instance directly out of the ordinary war funds, to be recovered later on from the Special Fund. But as soon as possible after the outbreak of war, it is suggested that a "special" war tax should be imposed for the purpose of recovering directly from the shipping interests the sums required to indemnify the losses which they may sustain.

This war tax should, it is thought, be imposed on a system akin to that employed in Pitt's Convoy Tax of 1798 (38 Geo. III., c. 76), but with certain differences of detail.

For example, the Convoy Tax compelled British ships to sail under convoy, and imposed fines on vessels which failed to do so. The use of convoys being no longer contemplated by the Admiralty, this stipulation would naturally lapse.

The tax also imposed during war time certain additional export and import duties. Whether the Committee will care to recommend a tax of this kind, even in time of war, is uncertain.

But as regards the Tonnage Duties, constituting the third source of revenue, which, I suggest, might be hypothecated for indemnification of British shipping against war risks, there seems to be no valid objection, since tonnage dues must

in the nature of things fall in the first instance and directly upon the shipping interests—the interests most immediately concerned. The radical difference between this proposal to raise an Indemnity Fund by tonnage dues, and the proposal to raise that fund by insurance premiums, consists in the fact that the latter would (ex hypothesi) be paid by British shipping and underwriting interests only, whereas the system of tonnage dues will be payable equally by every neutral ship that visits a British port. One of the damaging criticisms to which any system on the lines of "Scheme B" is open is that, in effect, the premiums paid by British ships must act as bounties to their neutral competitors, for, *ceteris paribus*, if a British ship has to pay a two per cent. war premium, which the neutral ship does not pay, then clearly the neutral ship can afford to take cargo at two per cent. lower freight than her British competitor—a matter which, in view of the keenness of modern competition for cargoes, might tell seriously against British shipping.

It is for consideration whether the tonnage dues should be levied equally upon British and neutral shipping, or whether, for this specific purpose, the latter should bear the heavier burthen. In any case, the surplus funds (if any) would go to the general purposes of the war, deficits being met (if they occurred) from the general war funds.

The objection to all such taxes (that they always result in raising prices and, therefore, fall ultimately on the consumer) applies with equal force to every conceivable proposal for the payment of the indemnities under "Scheme A" or "Scheme B," in the former directly, in the latter indirectly, but in both (as can easily be shown) effectively. This objection is inherent in the very nature of any scheme of National Guarantee, and if it be ruled to be an insuperable one, then no such scheme is possible. The object being, however, to support British shipping against neutral shipping in war time, the imposition of tonnage dues discriminating in favour of British ships (and perhaps also in favour of neutral ships laden with food stuffs) seems as satisfactory a compromise as can be hit on.

To the objection which might be urged against "Scheme C," that by insuring shipowner against the maximum risk (that of total loss by capture), while refusing to insure him against minor risks due to demurrage, &c., the Government would, in effect, place an incentive in his way to "take chances" of capture and even to purposely surrender his ship; it might be replied that similar criticism applies almost equally to both the other schemes. The best safeguard against it will consist, firstly, in limiting payments for ships and cargoes captured to their bed-rock prices, leaving no margin of profit; and secondly, in making full and searching enquiry in all suspicious cases, and in establishing a scale of drastic penalties to meet frauds of this kind.

Condition (IIIa) of "Scheme C," which prescribes that ship and cargo must be insured against minor war risks, will, it is hoped, go far to meet this objection.

This stipulation in itself constitutes a safeguard against wholesale fraud, since it arrays the forces of private underwriting and insurance business for the detection of wrong-doers, on the side of the Government. The elaborate machinery evolved at Lloyd's by generations of experience in matters of this kind would thus be automatically at work on the side of the Government.

Under "Scheme C" a delinquent shipowner would have to run the gauntlet not merely of any Government detective agencies which might in war be specially created, but would also have to deceive a Lloyd's agent and to take in private Insurance Companies. His claim to Government compensation would be non-existent unless he had previously satisfied the latter of his bona-fides.

An incidental advantage of "Scheme C," which is not likely to escape the notice of the Committee, is that this scheme does not deprive the Insurance Companies of all war insurance business, and is therefore perhaps less likely to be viewed with disfavour by this important collateral shipping interest than "Scheme A" would be.

C. L. Ottley,

1*st December*, 1906

SCHEME C.

(*See evidence, Qs.* 250–492.)

DRAFT OF A SCHEME FOR A NATIONAL INDEMNITY, the necessary funds being obtained by war-taxes on British and Neutral Shipping (vessels laden with food or raw materials may *be exempted from such taxation*).

I.—*Persons entitled to claim Indemnity.*

(a) The owner of any ship registered in the United Kingdom.
(b) The owner of any cargo liable to capture carried in such ship.

II.—*Losses to be covered by Indemnity.*

Capture, destruction, seizure, or detention in an enemy's port by the King's enemies.

(N.B.—Material losses (*e.g.*, values of ship and cargo captured) only are covered. Contingent and consequential losses (including sea risks during deviations and demurrage which are not covered by the ordinary policies) must be insured in the open market.)

III.—*Conditions to be complied with in order to secure Indemnity.*

(a) The ship must be insured against minor war-risks.
(b) The shipowner must comply with any directions issued by the Admiralty with regard to route and navigation of the ship.

(N.B.—It will be unnecessary for the Government to have any dealings with individuals until such time as claims are put forward for compensation for actual war-losses due to capture or destruction. The machinery for issuing Admiralty directions or advice to the mercantile marine is already in existence.)

IV.—*Value on which Indemnity shall be assessed and paid.*

(a) The value of the ship at the time of capture.
(b) The value of the cargo liable to capture at port of shipment plus insurance and freight to port of destination.

(N.B.—Owners of *ships* captured, seized, or detained by the King's enemies should file a statement of the particulars of their loss, which statement they should be called upon to substantiate by sworn evidence. The statements should include all particulars necessary for the valuation of the vessel by expert valuers, including the insurance policies against sea risks, but the shipowner himself should not make any claim for a definite sum as compensation. Owners of *cargo* captured, seized, or detained by the King's enemies should file a sworn statement of particulars, accompanied by documentary evidence of bills of lading, consignment notes, and insurance policies.)

V.—*Settlement of Claims.*

(a) Claims to be settled by a Board of not less than five members, to be selected from time to time by the prescribed Department from a list of persons willing to serve.
(b) The decision of the Board to be final as to the validity and the amount of claims.
(c) The value of ships to be assessed on the evidence of expert valuers, based on the information obtainable from Lloyd's Register, Insurance Policies, and the shipowner s accounts.
(d) The value of the cargo to be the market rate of goods at port of shipment plus insurance and freight to port of destination.
(e) Claims to be paid by the Treasury forthwith on certificates issued by the Board.

APPENDIX III.

(1.) A Consideration of Recent Proposals for a National Indemnity in Respect of War Risks at Sea.

PAPER handed in by *Mr. T. Gibson Bowles.*

(*See* Evidence, Qs. 68–249.)

The suggestion that the State should make good to British shipowners and shippers generally, all losses incurred through capture at sea in war, is novel.

It originates in the apprehension that the second article of the Declaration of Paris of 20th March, 1856, viz., "The neutral flag covers the enemy's merchandise with the exception of contraband of war," would drive British shipping, at the outbreak of war, out of employment or into foreign neutral ownership; that through the scarcity of shipping arising thus and also from loss by capture freights and insurance would rise; and that prices of food and raw material would consequently rise to famine rates.

The situation is here dealt with on the assumption that during war the Declaration of Paris will subsist, and that the mischief, if any, thence arising will ensue.

The apprehension that war would lay up our merchant ships and drive our carrying trade into the hands of neutrals is not new. It was felt and expressed as soon as the Declaration was published. Mr. Cobden so wrote on the 28th May, 1856, Mr. John Bright and Mr. W. S. Lindsay so declared in Parliament on the 17th March, 1862, Mr. John Stuart Mill on 5th August, 1867; the Select Committee of the House of Commons on Merchant Shipping which sat in 1860, reported: "Our shipowners will thereby be placed at an immense disadvantage in the event of a war breaking out with any important European Power. In fact should the Declaration of Paris remain in force during a period of hostilities, the whole of our carrying trade would be inevitably transferred to American and other neutral bottoms." Sir Thomas Sutherland avowed the same apprehension in a letter published in October, 1884.

Nor has the time materially diminished the apprehenson during the forty years that have since elapsed. Some shipowners indeed think that British ships could and would still be kept running in war time, and that there would be little disposition to transfer them to the neutral flag. Others, however, still believe with the older school that war under present conditions would put most of our merchant ships out of work and lay them up useless or force their sale to neutrals.

The apprehension is, I think, expressed in terms too general. That our merchant ships would in fact be largely transferred to neutrals on the outbreak of any war whatever is inconceivable. That they would be so transferred in the case of a war with "*any* important European Power," say with Austria alone, with Italy alone, or even with Germany alone, is unlikely. That such a transfer would, however, be made in the case of a war in which the United States or France were among our opponents is more than probable.

The suggestion that there would be a legal difficulty in making such transfers, although it has been put forward with a certain affectation of solemnity, cannot be seriously regarded; for it has been disposed of by the Privy Council in the case of the "Baltica." That there would be a difficulty on the part of the neutrals in finding the money to pay for the transferred ships cannot either be supposed, for the assumption is that the ships would be available at a cheap price in order to carry on a profitable trade in which, under their own flag, they could no longer engage. Moreover, during the war between the United States and Spain so recently as 1898, such a transfer did actually occur. On that occasion we are told by Mr. H. W. Wilson in his book, "The Downfall of Spain," the outbreak of war ran up the insurance rates of American vessels as much as 50 per cent., for Spain, although relatively weak in naval power, had the advantage of numerous fine ports unblockaded and open, and (not being a signatory of the Declaration of Paris) was expected to commission privateers. Of the American merchant ships many were taken into Government employ as auxiliary cruisers and transports, but of the remainder Mr. Wilson (p. 439) says: "The few ships of the American lines running to Europe were transferred to a foreign flag—the Belgian." Very soon indeed the panic subsided and insurance rates fell. But there remains the fact that the transfers were made.

Will our Merchant ships, then, be unable to continue running in the event of war? Will they be either laid up or transferred to neutrals? And if so, will prices consequently greatly rise?

It is apparently on the assumption of an affirmative answer to all these questions that the suggestion of National Indemnity has been made. For if in war time the owners of British merchant ships can and do continue to run their vessels, it must be because they continue to get cargo from shippers, which again implies that the additional risk of shipping in British ships is so small that shippers being covered by insurance will be willing to incur it. It follows from this that if the risk is small to the cargo it will also be small to the ship; and thence follows that the risk will not materially raise freights or prices. In which case a National Indemnity or Guarantee would neither be necessary nor justifiable.

It all seems to resolve itself at last into a question of prices. If freights are not likely to be "doubled" or "trebled" nor prices likely to rise to the "famine" level often predicted, the gravity of the question is greatly lessened. If they are not likely to rise greatly or for more than a short time, the question becomes of small importance compared with those others that any war must raise. If they are not likely to rise at all it becomes of no importance whatever. All this again resolves itself into the question whether we shall get our supplies practically undiminished. For if we do, prices can hardly rise. And price alone is the final point.

We must ask then whether war would stop our supplies of food or raw material; whether either through captures by the enemy, or by laying up our own ships or causing their transfer or otherwise, it would so diminish these supplies as to cause a distressing rise in their prices; and whether in that case National Indemnity would be a good way of meeting it? To all these questions I think a generally negative answer must be given though with important exceptions.

But the case will vary with the war. We must ask therefore *what* war?

For nearly a century we have not known war—war that is which would touch ourselves or involve risk to our own homes, lives, liberty and fortunes. When we did know such a war we waged it under the old conditions. These exposed to our naval power the whole of the sea-borne trade of an enemy; they made a

British ship carrying British merchandise as safe as a neutral ship, and therefore as yet unexposed to the special risk now imposed upon it; and they in fact resulted during twenty years of deadly struggle, not in any loss of British shipping or trade, but in the doubling of both, while those of the enemy were lessened by two-thirds and for the time ruined. The experience of our next war waged under the new rule will, however, not be that of our last war waged under the old rule. We are consequently reduced mainly to conjecture in seeking to determine what the state of things would be under the new rule, and what its effect upon our merchants and shipowners.

"War" is often if not usually spoken of vaguely and in a way suggesting that it might be war with all the world at once; though past experience has shown (as the relative circumstances and interests of all existing great Powers make the future to promise) that Great Britain will never long continue at war without allies being attracted or forced to take sides with her against her enemy. Even when the impossible contingency of Great Britain against the world is dismissed, it is necessary, before any idea can be arrived at of the effect of war on British shipping, trade, or prices, to specify the war. For wars differ almost infinitely.

No notion as to how or how far a war would raise the questions here involved can therefore be reached unless we imagine a specific war.

That war must, I conceive, be imagined with a single important State. The probability of its effect in gaining either to us or to our enemy allies among other States must be for the moment disregarded—great as that probability may be—because it would too greatly complicate matters, and also because, if we take the important States *seriatim* and consider the effect of a war with each, some idea of the effect of possible war alliances may thence be deduced.

The war must further be conceived as a maritime war alone, without for the moment taking count of the incidental and reflective effect upon it of a simultaneous land war with the enemy along our very important land frontiers—though this too would be important. With these reservations then, I conceive that some forecast may be attempted.

The smaller States may be excluded. War with Venezuela, with Greece, or even with Turkey, would not raise the great questions involved.

Nor need we, for the moment, imagine any war except one which would raise these questions in their more serious form. Russia, Austria, Italy may be excluded on this ground. On this as well as on other grounds we may further exclude Holland, Denmark, Norway, and Sweden; while we must necessarily exclude Portugal, the ancient ally, whose whole territories, European and Colonial, we guarantee, and Belgium, whose neutrality we guarantee. We are left then with three principal Powers to consider—the United States, France, and Germany.

War with the United States would be the most serious of all. Not alone their seaboard, their ports, their enterprise and ability, but the fact that they are not bound by the Declaration of Paris, would give them great power against our carrying and carried trade. They could commission privateers under the old form. They could capture British goods under the neutral flag, while Great Britain, though not bound as towards them, being still bound as towards the neutrals, could not venture to do so in face of their claim to promised immunity for their ships. Such a war would probably cause many of our merchant ships to be laid up. It would not, however, cause their transfer to neutral flags, since these would give no protection. Not even this war indeed could stop the sea approaches to Great Britain, or starve us out for want of food. But it would assuredly increase risks, raise insurance if not freights, and add, for a time, to the cost of our supplies. This war, however, is held to be so impossible that the Admiralty, renouncing the secular traditions of the country, has given up all the naval stations on both sides of North America.

War with Spain would be waged under the same conditions as with the United States, for Spain, too, retains the right to commission privateers and to capture enemy property under the neutral flag. Spain, moreover, has a splendid seaboard, fronted both on the Atlantic and the Mediterranean, and provided with fine ports. But she has not the resources of the United States, nor the capacity to use them if she had them. Important and dangerous, therefore, as she would be if allied with an astute enemy against us, yet as a sole enemy she may be disregarded.

War with France would be the next most dangerous after war with the United States. Her grand seaboard, double-fronted like that of Spain, her splendid ports on both, and her sound naval tradition, make her, next to ourselves, the most formidable maritime power in Europe. France, however, being endowed at once with universal military service and universal suffrage, will hardly fight again unless in defence of her own territory or in case of some inconceivably tempting European cataclysm opening an easy way back to Alsace-Lorraine. The last Power she would desire to fight is Great Britain. But a war with France alone would affect our supplies from the Black Sea, though not, I think, even those very greatly. It would raise the prices of wines, silks, fancy wares, and other articles of luxury, but not of food or raw materials to any considerable extent, if at all. It would not stop our food supplies. It would not close the sea-avenues to these islands. But it would lay up some of our merchant ships by the stoppage of the French trade, and by such interference as it caused with the Mediterranean and Black Sea trade.

War with Germany alone comes third in importance. Germany has on the open sea but a small seaboard, ill provided with ports, while her Baltic seaboard is on the other side of the Sound or the Kiel Canal. Her powerful and growing Navy, admirably equipped, is yet still deficient in the slow-growing naval and seaman-like tradition. Her future is said to be on the seas, and she has claimed the Trident and the Admiralty of the Atlantic. Moreover, the recent remarkable alterations in the preponderance of distribution of the British Navy indicate at least that the North Sea seems to the Admiralty to claim a greater relative importance than it has hitherto had.

Since, therefore, it is necessary to imagine some specific war, I take, purely by way of example, a war (which God forbid) with Germany, a war with Germany alone, the rest of the world remaining neutral—a war which might last two or three years.

Were Holland, with her useful strategic position as against Great Britain, her seaboard and ports, her admirable naval tradition, and her splendid population, absorbed and assimilated by the German Empire, Germany would be at least doubled in maritime strength, and would then be, taking all into consideration, as formidable on the seas as France. But Holland will hardly be absorbed easily, and she would be assimilated less easily.

In case of war with Germany alone, some of the mischiefs apprehended would probably not be severely felt. The action of the German privateer, in its modern form of auxiliary evading the Declaration of Paris, would only be possible to a very limited extent, and for a short time, since the German seaboard and German ports do not lend themselves, as do those of France, Spain, or the United States, to that form of warlike enterprise. Nor, for the same reason, would her naval cruisers be able to effect much in capture of British merchandise. The transfer of British shipping to neutral flags would probably not be forced, and therefore would not be general. The great, the real mischief here would be that we should be prevented by the Declaration from acting on German sea-borne resources; that *her* trade at least would be carried on under our noses by neutrals; that we should no longer have the power of acting through the sea on the land as in the French war; and that the struggle might therefore be prolonged into a Stale Mate war, in which Germany would be watching for an opportunity of land invasion, and Great Britain for an opportunity of effectual naval action—without either finding it.

That in any case our supplies of food or raw material would be seriously interfered with by any war whatever, much less by war with Germany alone, is improbable. Nature protects us. The five great avenues of approach to the British Islands are wide indeed. From the Naze of Norway to the Orkneys is 300 miles. From the Orkneys to the Northern end of Ireland is 350 miles. From the Northern end of Ireland to Cape Clear at its Southern end is 300 miles. From Cape Clear to the Scilly Islands is 150 miles, and from the Scilly Isles to Ushant is 100 miles—altogether over 1,200 miles which must all be closed before access can be debarred to the United Kingdom.

Even, therefore, had we no Navy to protect it, the access to our ports is such as all the Navies of the world could not completely stop. But with a British fleet of preponderating strength on the sea, and with moderately capable strategists at the Admiralty, even so much as any serious interruption of sea-borne supplies is in the war supposed almost unthinkable. The Navy would undoubtedly do its work—if not, it is to be hoped we should this time shoot a First Lord instead of an Admiral—and part of that work is to know the whereabouts of any German cruisers likely to capture British ships, and, knowing it, to keep an eye upon them, and to be ready to hunt them down, to run them out of coal, to capture or destroy them. Even if this so failed as that some British merchantmen were captured, the German captor would still have the difficulty of taking them into his ports for adjudication, in the course of which they would be exposed to probable recapture by British cruisers. If, on the other hand, German captors, instead of taking them in, sank them, or pretended to follow the piratical proceedings of Captain Semmes by substituting the adjudication of naval captains at sea for that of Prize Courts in port; or if, like Captain Semmes, they embezzled portable property found in these ships; if in any way in short they violated the law of nations, the British fleet would probably be able to find sharp and summary means of reminding them of their obligations.

The adequacy in numbers of the British Navy as a protection to our shipping has during the last ten years been vastly increased. I say nothing as to the training or efficiency of men and officers, for there is danger that by 1911 the Fleet may be wholly officered by ill-trained lieutenants and wholly manned by barrack-bred seamen. Up to ten years ago the Navy had not kept pace in numbers with our merchant shipping, but in that respect it is now ample. It should be now fully equal to giving so complete a protection against Germany as would amount almost to immunity from capture.

The apprehension is, however, that, in spite of all, British freights would necessarily rise, that insurance would rise, that the prices in Great Britain of all sea-borne stuff would consequently rise, and that British merchantmen would largely be driven from the seas and either laid up or transferred to neutrals, whose rates of insurance would be lower than that on British ships for either German or British goods.

The reflection occurs that some of these apprehensions scarcely consist with each other. If British freights rise that would probably induce not fewer, but more British vessels to keep the seas. On the other hand, if British insurance so rises as to drive cargoes from British to neutral ships, then British freights must probably fall.

But the final—the principal danger apprehended in war is that of a general rise in prices (especially of food) consequent on the assumed rise in freights and insurance; this rise in prices, the Commission report, "seems to us not only possible or probable, but, at any rate, for a time, practically certain." Is it so certain?

If freights alone rose, or even if both freights and insurance rose, without resulting in a rise of prices, nobody would be injured; on the contrary, shipowners and underwriters would increase in prosperity, while the consumers of the nation at large would be left unaffected; it is, therefore, only to the apprehended rise in price of food and of raw material that attention need be given.

This apprehension is great. Authorities in the corn trade think that on declaration of war prices might easily run up to 100s. or even 200s. per quarter; and, in any case, it is assumed almost universally that even if the rise were not so great as this it would be great enough to cause much suffering to the poorer classes and to render it imperative that some steps should be taken with "a view of keeping down prices" and maintaining "a steady level of prices in time of war."

The whole question is thus narrowed to that of the effect of war upon prices, which, again, may be narrowed to that of its effect upon prices of articles of first necessity, such as food and raw material. For while it is conceivable that a rise in these would cause great distress, it can hardly be contended that such distress would be caused by a rise in the price of articles of luxury. Ostrich feathers cannot claim the importance of corn nor perfumery that of cotton.

First, with regard to freights. A rise in freights would, as already said, manifestly make it easier for British merchant ships to continue running. It is a fall in freights that would induce them to cease running or to transfer to the neutral. As to insurance, that may clearly be regarded as part of, and included in, the freights, so far as its effect upon prices is concerned. And, as already said, it all comes at last to the final question of prices.

That a rise in freights does not necessarily mean dearer food is shown by so late an experience as that of the South African War, when, although freights rose "all round" from 50 to 100 per cent. on "85 per cent. of all the shipping," the price of wheat fell from 27s. 4d. in October, 1899, to 26s. 11d. for the whole year 1900. (Evidence, pp. 174 and 176, and Statistical Abstract, p. 273.)

But now as to prices generally and the effect upon them of war. With great respect to the corn trade authorities above quoted on this point of prices, I venture to submit that it is by no means certain that on the outbreak of war prices would necessarily rise, or that even at the end of, say, five years of war, they would be any higher than before the war began.

Mr. Tooke's "History of Prices" is universally recognised as a sound authority, and Mr. Tooke is very clear and decided on the point. He says, "It will appear, on reference to former periods of our history, that there is no observable coincidence of a rise of prices during war and a fall during peace. On the contrary, it so happens, that in the case of the agricultural produce of this country, there was, for upwards of 100 years previous to 1793, as low a range of prices during periods of war as during the intervals of peace. This has been eminently the case with respect to wheat." (Vol. I., p. 97.) Mr. Tooke only excepts from this general rule "articles subject to a tax, such as malt" to "increased charges of importation such as colonial and foreign produce" or to "extra demand for naval and military stores." But the general rule he states as quoted (supporting it by statistics of the wars from 1688 to 1783), and he especially insists on it in the case of provisions in general; "The prices of meat and other provisions," he says, "were as low in the periods of war as in those of peace, and, in some instances lower," and he adds, "the prices of wool would offer nearly the same result. Other articles might be enumerated as affording a similar conclusion." Mr. Tooke adds: "After six years of war (1793-8) involving a gradually increasing expenditure, defrayed by loans, much larger towards the later than at the earlier period, we see the prices of corn, after having been elevated by scarcity, obviously arising from the seasons, falling, upon the return of only moderate abundance, to the level whence they had risen." (P. 182-188.)

To all this may be added the further fact that in June, 1817, two years after the battle of Waterloo, when, not alone the second, but the third and final phase of the war had been ended, "wheat in Mark Lane sold as high as 135s." (Tooke, Vol. II., p. 20.)

From this we must conclude that it is impossible to affirm with certainty that war will always raise British food prices above the peace level.

But, although the facts above cited suffice to show that war does not always necessarily raise the price of food, we must remember that the French war was waged under the old rules, and would therefore not be analogous to a future war waged under the new rules. During the French War we captured our enemy's goods under the neutral flag, thus often getting our stuff, not cheap, but for nothing; and since the neutral flag gave no greater protection to British goods than did the British flag, the British vessel was as safe as the neutral, and there was consequently no inducement to replace it by the neutral. Yet it is also to be remembered that the immunity of neutrals under the second article of the Declaration of Paris is presented, by those who would continue to adhere to that Declaration, as a security for the continuance in war of our supplies, if not, indeed, carried by British ships as of old, yet carried at least by neutral ships; and therefore as a security against a rise in prices. And whether by recurrence to the old rule the stuff is, as of old, again carried in British ships freed from the disadvantages of the Declaration, or whether it is obtained as freely by the employment of neutrals, does not affect the question of price.

Reverting then to prices; is it not conceivable that in the case of a war with Germany lasting even so long as the first eight and a half years' phase of the great war with France, prices may fail to rise? Is it not even conceivable that they might fall? I think it is; for prices whether of food or of raw material depend not alone upon war, but upon seasons, harvests, and an

infinity of other circumstances which render almost impossible a forecast of their movements during future years. In September, 1792, five months before the war, wheat in England was 53s. 4d. per quarter, but in September, 1793, when the war had already lasted seven months, it had fallen to 45s. (Tooke, Vol. II., p. 389), or to the extent of 15 per cent. Is it not conceivable that a similar fall might occur again?

The one thing about prices, if there be any one thing, which may with some confidence be expected, is that, owing to the increased number and increased accessibility of the sources of supply, prices of food will in the future gradually but constantly tend to fluctuate less, and to rise and fall within narrower limits, and that consequently the expectation of any such extreme difference as that involved in a rise from present prices to 200s. a quarter may with some confidence be dismissed as exaggerated.

The "Commission on the Supply of Food and Raw Material in War," after taking much evidence, reports as regards loss of seaborne supplies through capture by the enemy:—"It does not appear to us that any effort in this direction, which it will be possible for an enemy to make, would cause any material diminution in the over-sea supplies of those articles of primary consumption which are necessary for our population." It says (p. 59) "The effect of the naval and shipping evidence is conclusive as to the point that while there will be some interference with trade and some captures, not only is there no risk of a total cessation of our supplies, but no reasonable probability of serious interference with them, and that, even during a maritime war, there will be no material diminution in their volume, unless such a disaster takes place as . . . a reverse that would cost us the command of the sea." This covers all supplies, whether of food or raw material, and with especial reference to food alone the Commission quotes the Board of Admiralty to the effect that "our supplies of wheat and flour would arrive in practically the same volume as they come at present," and finally sums up (p. 35) "with a strong fleet we find no reason to fear such an interruption of our supplies as would lead to the starvation of our people, nor do we see any evidence that there is likely to be any serious shortage."

With no material diminution in our supplies, with wheat and flour coming in practically the same volume, and with no serious shortage, nor even so much as a material diminution of supplies to fear, it might be supposed that the question of price would be solved, for it is hard to believe that with the same supplies prices would be higher.

Nevertheless, the Commission, partly basing itself on prices in the Napoleonic war (from figures of Mr. Tooke's which have been carelessly quoted, and their true lesson therefore missed) is of opinion that "a rise of prices under apprehension of a maritime war, and still more on the outbreak of hostilities, seems to us not only possible or probable, but at any rate for a time practically certain" (p. 35). It looks (p. 36) to a rise in freights and of insurance as the proximate cause of what it holds to be the certain rise in prices. Nevertheless, it admits that the opinions and calculations given in evidence (p. 37) indicate that "the addition to be made to the price of wheat in time of war under this head is relatively small as compared with that which might be caused by panic." Upon this apprehension of higher prices the Commission, therefore, considered proposals for the storage of grain, which it did not entertain, and for a system, which it did entertain, of National Indemnity against loss from capture by the enemy. This, it thinks (p. 62) "would operate both as an additional security to the maintenance of our over-sea trade and as an important steadying influence upon prices." It adds that "a guarded and well-considered scheme of National Indemnity would act as a powerful addition to our resources because it would tend to keep down the cost of transport, and therefore would go far in the direction of preventing high prices in time of war, while at the same time it would be a stimulus to the enterprise of British shipowners." The Commission, therefore, recommends a Committee to "investigate the subject and frame a scheme."

We come then at last to this: that as regards supplies no apprehension need be felt; that they will suffer no material diminution in quantity, and can therefore hardly suffer in material appreciation of their price; that the addition to price will be "relatively small," and that finally it is a question not of price, but only of panic, not of scarcity, but only of a scare.

To meet this the proposal is made of a system of National Indemnity "as an additional security to the maintenance of "our over-sea trade," as "tending to keep down the cost of transport," and to steady and keep down prices in general.

Several systems of Indemnity or of Guarantee have been proposed, and it will be for the suggested Committee, if it decides to recommend either, to choose among them; for some would include all British or even all Colonial vessels and their cargoes, while others would limit the operation of the scheme either to cargoes alone or to articles of prime necessity, excluding luxuries.

Sir John Glover, shipowner and underwriter, would indeed have the Government "repay the underwriters who take the risk." As though speaking *ex cathedra*, he says, "I recommend the State to take the risk." Since, however, he prefers to give no details, and as to cost thinks no estimate "worth the paper on which it is written," any consideration of his plan would present some difficulty. His is, in fact, a plan not to indemnify shipowners' and cargo owners' loss, but to guarantee underwriters' business and profits.

It seems to be agreed that the scheme would not be one of insurance in the usual sense, since no premium would be charged; but that in case of capture the owner of the British ship, as well as the owner of the British cargo, would be indemnified gratis by the State.

In principle all the schemes suggested seem to be at once vicious and unnecessary, and likely in practice to open up a series of grave dangers and embarrassments.

They would indeed very probably give a "stimulus to the enterprise of British shipowners," who would by them be stimulated, not in the pursuit of carriage by their ships, but in the pursuit of captors for the ships themselves and of the consequent indemnity. They would, it is to be feared, neither steady nor keep down the cost of transport nor of prices generally; they would only transfer the war risk of shipowners and cargo-owners directly from them, and indirectly from the consumer, to the taxpayer at large. Freights and prices would find their level all the same. The difference would be that the merchant and the shipowner would be subsidised by the State, in certain eventualities, which the subsidy itself would tempt them to court if not to create.

The arguments used in favour of a scheme of National Indemnity are:—

(1) That it would be (p. 53) "more economical than private insurance, because the country will only have to pay for actual losses":—

> The State has never yet conducted any business more economically than private enterprise, but always, on the contrary, far less economically. The excess of premium over actual losses now paid would go but a short way towards the expenses of a new Indemnity Department.
>
> Yet, even if it be true that the country would only have to pay for actual losses, which is altogether doubtful, it is also true that the country would receive no premium, and that the State, therefore, instead of dividing all the losses among all the possible losers—as the underwriter now does, by levying adequate premiums upon them all—would itself bear the whole of the losses. The State, however, being a pauper except for the tax-payer, this means that the tax-payer would have to bear the total loss.
>
> Now, the tax-payer is not identical either with the ship-owner or with the cargo-owner or with the final consumer. There would be, therefore, a shifting of the burden of a very serious nature. The burden itself would be no less. But it would no longer be borne, as it is now, by all those interested in the goods, in varying proportions difficult to ascertain, but which, by percolation, ascertain and impose themselves. It would be borne by all tax-payers in proportion to their share of taxation. This would be a great and wanton injustice.

(2) "War premiums are an exaggerated measure of the risk incurred," for "they contain a large scare element":—

> This allegation cannot be received unquestioned. Premiums are fixed competitively, and competition must inevitably bring them down to a true measure of the risk incurred, plus a fair underwriters' profit. And, with regard to the "scare" element, the evidence indicates that "scare" premiums often result in such losses to the underwriters as to show that,

instead of being an exaggerated measure of the risk, they are occasionally a too greatly minimised measure thereof.

(3) National Indemnity is said to be the most equitable mode of meeting war losses, because "ordinary war insurance will fall most heavily on the poorest class of consumer," while National Indemnity will fall upon the tax-payer" :—

But is that true? And if so, is there any comfort in it? Does not insurance fall *pro rata*, if it so falls at all, equally upon the poorest and the richest class of consumer, according to their consumption? It must fall, if at all, on what the consumer consumes. It cannot be suggested that the consumer of corn pays the insurance on ostrich-feathers, or the consumer of cotton that on perfumery; nor is it likely (seeing that there is no probable diminution in the supply of corn) that, under the premium system, the corn consumer would pay any war insurance thereon at all. But the proposed system lumps necessaries and luxuries, corn and cotton, perfumery and ostrich-feathers, together; the 190 million pounds' worth of food together with the 146 million pounds' worth of raw material and the 191 million pounds' worth of luxuries and other articles not of prime necessity—and then claps upon the tax-payer the cost of all that may be captured. Whether ordinary insurance in its final incidence ever gets beyond the final consumer, rich or poor, of the thing insured is not pretended—and is, indeed, most doubtful. That, except in the articles consumed by that class, it ever reaches the poorest class at all, is most improbable; but that all taxation does, in its final incidence, at last affect the poorest class, and does, directly or indirectly, touch their well-being, has hardly yet been questioned. Instead of it being true, therefore, that the substitution of National Indemnity for ordinary premium insurances would relieve the poorest classes, it is the contrary conclusion that is indicated.

(4) National Indemnity, it is claimed, "will prevent an abnormal rise in the price of imported commodities, because there will be no war insurance to be included in the price" :—

But we have already been told that there will be no material diminution in the supply of these commodities. And if that be so, it is hard to see how—war insurance or none—any abnormally high price can be got from the consumer.

Again, if National Indemnity does save the consumer from war insurance, it can only be because it will clap that insurance on the tax-payer at large, an injustice already dealt with.

(5) National Indemnity would, it is claimed, obviate the mischief of the "free ship free goods" clause of the Declaration of Paris by compensating British shipowners for capture, and by thus inducing them to avoid transfer of their ships to the neutral flag, and to keep those ships running :—

But is this so? Would not the risk, such as it is, remain exactly where it was? Would not the actual mischief remain exactly where it was? Would not the only difference be that the cost of the mischief would be borne by the tax-payer instead of being borne by the consumer, who would otherwise pay the war premium? Suppose the case of the risk and the consequent premium being so high as to cause the ship-owner, rather than pay it, to lay up his vessel or transfer it to the neutral, what would be the difference then? Would it not be this: That if the ship-owner were left alone with the present system of premium, he would either lay up or transfer his ships; whereas, if covered by National Indemnity, he would no longer count the cost, but would send his ships to sea at all hazards; that the ships, instead of being laid up or transferred, would most of them be captured; that they and their carrying trade would still be lost to the country; but that its full value, and probably something more, would be paid by the tax-payer? The ships would be gone all the same; the trade would be stopped all the same; supplies to that extent would fail all the same; but a vast sum would be transferred from tax-payer to ship-owner.

(6) "Captain Inglefield suggests that the Admiralty would be much freer (under a system of National Indemnity) as regards naval strategy than if they were expected to provide convoys or were otherwise subject to pressure from the shipping community" :—

If the Admiralty betrays its duty and falsifies its strategy because of panic, not only the First Lord but all the Board should be shot.

But the shipping community would hardly want convoy if they were by National Indemnity made sure of compensation, convoy or no convoy; and the only pressure to be expected from them under these circumstances would be a pressure to stand out of the way of capture and compensation. For the shipowner would be in a heaven of voyages without risk, with a certainty, indeed, of the fullest and most certain compensation where risk would be greatest. Where would the tax-payer be?

Many other considerations arise, whereof I will present but one illustration. In February, 1902, a United States syndicate, then known as the "Morgan combine," which afterwards developed into the International Mercantile Marine Association, bought British ships of an aggregate of over one million tons, which they capitalised at £39,000,000. All these ships, although they then ceased to be owned by British subjects, were—improperly and unlawfully, as I have always contended—allowed to retain their British registry, and have since traded and are still trading under the material advantage thence arising. All of them have retained the character of British ships: their alien owners have acquired the status of British shipowners; and they would all, I conceive, be certainly capturable by an enemy at war with Great Britain. Is the British tax-payer, then, to be liable, in case of their capture, to pay either the £39,000,000 at which their owners capitalised them, or the £17,000,000 at which my lower estimate would price them? If so, there will be a fine market, at the outbreak of war, for British ships bought by the enterprising alien in order to be captured for the sake of the Indemnity, bought possibly even by the enemy subjects to be captured by their own cruisers and their owners indemnified by the British tax-payer! That this supposition is not wholly extravagant anybody will allow who follows the records of frauds attempted in war time as set forth in Robinson's Admiralty Reports.

Nor is this all. At present capture does not always result in loss. The owner or underwriter fights the case, and often, because of doubt or difficulties, obtains restitution from the Prize Court, whereof numberless cases may be seen in Robinson's Admiralty Reports. But with a system of National Indemnity no owner or underwriter need or would fight at all. All the cases would go by default; and for all the State must pay. The Prize Court itself would have a new inducement to, and a new justification for, condemnation, for under the proposed system there would be no question of ownership: the British State being now the insurer of every British ship and cargo and bound to pay its full value, would in reality be made by the mere condemnation the owner of both; and ship and cargo together would for that very reason be condemned *sans phrase* by the Court, as the property of the belligerent State.

Indemnity after loss would, after all, not prevent loss, but would rather encourage it. It would be a subsidy from the tax-payer to the ship-owner and the merchant. That may be good for ship-owners or merchants, but that is not the interest of the State. The interest of the State is not that supplies should be lost and paid for, but that they should be preserved and come; not that ship-owners and merchants should get cash, but that the nation should get the stuff. National Indemnity would not ensure this, but rather the contrary. What the State requires is not payment after loss but security against loss, not National Indemnity but a National Navy, adequate in numbers, efficient in men, and set free once more to exercise all its powers.

There remains the most important consideration of all—the cost of indemnifying the owners of goods and ships for loss caused by enemy capture. It has been somewhat lightly dismissed. Some diffident forecast may, however, be attempted.

The value of the goods involved would be, in each year, all that was landed in Great Britain during that year, added to the value of all that was exported—all, in fact, that is afloat during the year, and therefore exposed to capture at sea and entitled to be covered.

In 1905 there was landed from the sea (Statistical Abstract, pp. 71, 209, 293, 211 and 271):—

	£	£
Imported Merchandise	565,019,917	
Imported Diamonds (from Cape of Good Hope alone)	6,661,957	
Gold and Silver Bullion and Specie	51,559,909	
Fish	10,672,387	
		633,914,170
And there was exported:—		
Exported Merchandise	407,596,527	
Gold and Silver Bullion and Specie	30,829,842	
		438,426,369
Total property afloat in the year, value		1,072,340,539
Deduct one-third of the whole estimated to be carried in foreign ships, and therefore under the declaration of Paris, not liable to capture except in case of war with the United States or Spain		357,446,846
Property afloat in the year liable to capture, value		714,893,693

This sum represents stuff which has to be covered by the indemnity once in the year and no more. For it runs the war risk once and no more.

It is different when we come to the ships. Theirs is not the case of one war risk in the year, but of many. Each of them makes on an average (see Annex 3) some five round or ten single voyages a year. She must be covered, therefore, not once only in the year, but for as many voyages as she makes, or ten times.

The Navigation Returns show that there were on the register of the United Kingdom on December 3, 1905, 20,581 British ships of an aggregate net register tonnage of 10,735,582—

	Net registered Tons.
Whereof there were actually employed during the year	10,597,761
In addition to which there were vessels belonging to British Colonies and possessions of 1,596,822, whereof were employed, say	1,580,000
Besides British fishing vessels	176,374
Total net register tons	12,354,135

The difficulty of arriving at an average value of ships of various sizes and ages, and especially the difficulty of arriving at it on the purely artificial and conventional basis of net register tonnage, is great. Colonel Hozier, speaking in 1903, valued 7,400,000 net register tons of British shipping, "from fast liners at £40 per ton down to depreciated tramps," at £96,392,800, or £12 17s. per net ton all round. Competent experts, however, who have long and repeatedly considered the question, point out that many modern vessels like the "Oceanic" (and they, be it remarked, of the largest tonnage) cost £100 per net ton to build, and that a new tramp steamboat, of the cheapest type in the market and of 2,763 net tonnage, was actually sold this very month to an American firm for £45,500, or £16 10s. per net ton. They conclude, therefore, that £12 17s. is far too low, and that £20 per net ton all round would not be an extreme price. Consequently, I take a rough mean between the two, of about £17 per net register ton all round, which will probably be a rough approximation to the present value of the ships.

Total value of above vessels 12,354,135 tons at about £17 per net register ton, say	£209,920,295
But, since each makes an average of five round voyages in the year or ten voyages out or in, each must be covered ten times in the year, and the whole value to be covered is	£2,099,202,950
Add the value of the goods as shown above	714,893,693
Total value of ships and goods liable to war risks in one year, say	£2,814,096,643

Here, then, we have a total value of goods and ships of £2,814,000,000.

What now is the true measure of the War Risk to this vast property, without reckoning underwriter's profits—the Naked War Risk?

Captain Inglefield, of the Naval Intelligence Department, puts it at 2½ per cent., Mr. Douglas Owen, secretary of the Alliance Insurance Company, at from 5 to 20 per cent., but would "call it 10 per cent." Mr. Leverton Harris, shipowner and underwriter, "will assume 5 per cent. per voyage on a tramp steamer crossing the Atlantic," though both the latter may be read as not excluding but including underwriter's profits.

Here again all depends on the particular war. In some wars the naked war risk would be inappreciable. In other wars it would be still inappreciable for certain voyages, while for different voyages it might rise to the 10 per cent. suggested, or higher.

If I may presume myself to estimate the Naked War Risk—the actual loss by capture—I should say:

That in the case of war with Germany, for the reasons already given, and taking the present relative naval strength, seaboard, ports, and all into consideration, the true measure of the War Risk would be even less than the lowest estimate of 2½ per cent. suggested by the experts; and that it would not, when finally ascertained, exceed an all-round rate, on all the goods and ships, of more than 1 per cent. per voyage, even if it reached that.

In the case of war with France, it might reach 2 per cent. per voyage; and in the case of war with the United States as much as 3 per cent. In the case of war with any other Power than these three it would probably not attain 1 per cent.

Applying now the much more moderate measure of risks that I anticipate to the total of 2,814 millions, we have an annual extra charge upon the taxpayer, in addition to all the ordinary charges of the war, as follows:—

In case of a war with Germany at 1 per cent. on 2,814 millions, say	£28,140,000
In case of a war with France at 2 per cent. on 2,814 millions, say	56,280,000
In case of a war with the United States 2,814 millions at 3 per cent. £84,420,000. But in this war the one-third of the property previously excluded would be included, 357 millions at 3 per cent. = £10,710,000, to be added.	
Total, say	£94,710,000

while, if we take the higher rates suggested by the experts of 2½, 5 and 10 per cent., for the vaguer case of "War" at large—of any war in general, the annual charge would vary between £70,350,000 and £281,000,000.

The very lowest of these sums is staggering. And it is impossible not to ask whether it would not be at once cheaper, more efficacious, and in all ways better, to take the sum, whether it be 280 or 28 millions, and spend it on the Navy; whether it is not better to have Naval Insurance rather than National Indemnity, better security for the stuff rather than tax-raised compensation for its owners. I think it is.

The above are some of the considerations which seem to me completely to condemn in principle the project of National Indemnity suggested. But there are other objections to it scarcely less serious.

It would of necessity involve the setting up of an Indemnity Department. This—unless it differed from all other public Departments—would grow gradually, but certainly and very seriously in expense, and would be an extra and abiding burden upon the tax payer for all time, even if for all time in future we should neither have war nor rumours of war. The probability of such a Government Department managing adequately the tremendous and very difficult business with which it would be charged is small indeed—to manage it, that is to say, so as to protect the State, not alone from the frauds, but also from the follies and the mistakes of those shipowners who claimed against it. Frauds, follies and mistakes there certainly would be. It is probable—those who have followed the dealings of Government Departments with telephones, telegraphs and savings banks will probably deem it certain—that the Department would prove incompetent fully to deal with them. If so, if it were consequently to authorise compensation for anything more than actual avoidable losses, by that much more the cost would be increased to the State, by that much more the cost would exceed any finally ascer-

tained market premium now levied, even in a time of the greatest conceivable scare. The Indemnity, like the rain, would fall equally upon the just and the unjust, upon the wise and the foolish, upon the cautious man who always insures and the rash man who runs his risk without insuring. The case of the special ship specially indemnified by the Spanish Government (very different from a general indemnity to all ships) which steamed straight into the enemy's arms at Santiago, and thus easily earned her indemnity, would not be wholly unknown. The case of a vessel worth £30,000, whose insured value for National Indemity would be raised to £50,000, would also be not unknown. Certainly the proportion of losses by capture when encouraged by a certainty of full compensation would be greater than if there were no such certainty. The extent of the risk to the State would be unknown. It would certainly be very great. It might be tremendous. It would undoubtedly be such as could not prudently be added, either in the shape of an immediate levy of taxation or in the shape of debt, to a country already burdened with the increased taxation and swollen debt necessitated by war.

In view of all these considerations it is submitted that the project of National Indemnity as at present formulated is one which cannot be reasonably entertained or safely adopted.

(Signed) THOMAS GIBSON BOWLES.

Wilbury, Salisbury, 24th November, 1906.

(2.) NOTES ON THE DECLARATION OF PARIS.

The Declaration of Paris of 20th March, 1856, declared, as between those who adhered to it, two novel and noticeable things. Art. I., Privateering is and remains abolished. Art. II., "the neutral flag covers the enemy's merchandise with the exception of contraband of war." It has long been apprehended that the latter article would be disastrous to British shipping by driving it, at the outbreak of war, out of employment, or into foreign neutral ownership.

This would be indeed only an incidental disadvantage imposed on Great Britain by the Declaration of Paris. The principal and far greater mischief of that Declaration is that it debars us, a Maritime Power, from all action against an enemy's sea-borne supplies, and thereby deprives us in the future of that ability to distress our foes by crippling their material resources which the past has shown to be our most potent arm of offence.

The doctrine, "the neutral flag covers the cargo" (or "free ship free goods," without the usual accompanying clause, "enemy ship enemy goods") originally propounded in 1752 was repudiated by Great Britain, was resisted through the Armed Neutralities of 1780 and 1800, and was only finally submitted to in 1856. Many of our greatest statesmen, sailors, and soldiers hold that its acceptance was fatal to the offensive and, therefore, to the defensive power of the British Navy; and that by thus abandoning the power to make war on the enemy's trade, and so to put material stress upon him, we divested ourselves of the best weapon of a maritime nation, and rendered our fleet almost valueless for any other purpose than for preventing an invasion.

Mr. William Pitt, Mr. Fox, and Lord Nelson in 1801, Lord Derby in 1856, Mr. Disraeli in 1862, Mr. J. Stuart Mill in 1867, Lord Salisbury in 1871, and Lord Roberts in April, 1894, have all expressed and enforced the conviction; and even so late as December, 1897, Lord Salisbury wrote "the Declaration of Paris was a rash and unwise proceeding." If the conviction of these great men be well founded, the peril to the nation in general arising from the second article of the Declaration is so tremendous as to make whatever mischief may ensue to the ship-owner or the merchant in particular comparatively trivial and unimportant.

It is to be remarked that the first article of the Declaration of Paris: "Privateering is and remains abolished," has practically been destroyed, or at least evaded, by an invention first adopted by Germany and by Russia, and since by Great Britain, in the scheme for subsidising and arming merchant vessels under the name of auxiliaries or volunteers. This is most particularly noteworthy because it was the first or privateer abolition article of the Treaty of Paris which was put forward to, and expressly accepted by, Lord Clarendon on behalf of Great Britain as the compensation for her abandonment of her ancient rights by acceptance of the second article withdrawing from capture enemy's goods under the neutral flag. The concession made by Great Britain in the second article remains; the pretended compensation made by the first article has disappeared. "Free ship free goods" is established; privateering is not and does not remain abolished. Consequently, although in the case of a Power without numerous ports easy of access and hard to close by blockade the material difficulty of sending out captors of merchandise would be great; yet, in case either France, the United States, or even Spain, were among our adversaries, our commerce would still be exposed to privateering in its modern form, although we should continue to be debarred from capture in its ancient form.

That the Declaration of Paris was not duly authorised; that is, no part of the Treaty of Paris; and that even if it were it might be denounced and revoked, as has been the case with every modern European Treaty from that of Utrecht of 1713 to the Treaty of Paris itself (denounced and revoked in its Black Sea clauses) and the Treaty of Berlin of 1878 (denounced and revoked in its Batoum clause)—this has been established. Nevertheless, the Declaration is undoubtedly binding on Great Britain, unless and until it is denounced. If allowed to subsist through peace it could not be repudiated at the outbreak of war. The honour of the country would forbid that; consideration for neutrals, among whom Great Britain would probably then be looking for allies, would preclude that.

On this assumption the danger of a considerable if not a complete transfer of British shipping to neutral flags in time of war does exist. Nor can the danger be removed except by one of the two courses which for fifty years have been constantly proposed—either the course of denouncing the Declaration of Paris and reverting to the old rule, under which enemy's property was capturable wherever found; or the course of going on still further to the exemption from capture of all private property at sea whatever, including ships. The former course is that which, in common with many others, I believe to be the right one. The latter is still advocated by many, though this would involve the adoption of a wholly new conception of the very nature of war; for if war were no longer held to justify the capture of private property it could hardly be held any longer to justify the capture of such property when contraband, or the withdrawal from the private citizen of his right to trade with the enemy, or the exercise on land of the rights of commanders to dispose of the lives and property of private persons.

But either one of these two courses would remove the danger of a transfer of British ships to neutral flags in time of war. Any other would not remove the danger; but could at the most palliate it.

I may perhaps refer, for a history and a consideration of the Declaration, to my own book, "The Declaration of Paris," published in 1900.

T. G. B.

24th November, 1906.

(3.) NOTE ON THE EFFECTS OF WAR UPON TRADE.

It is not easy in time of peace to realise or to forecast the final effect of the cross currents, conflicting influences, and complex results that will arise in war. Some of them seem likely to be as follows:

(1) Taking (as for simplicity I do throughout) the figures for 1902 as quoted by the "Royal Commission on the Supply of Food and Raw Material in Time of War," it appears that in that year there were entered and cleared with cargo at ports in the United Kingdom, vessels, British and foreign, trading to certain (the principal) foreign countries, of a total tonnage in round numbers of 45,000,000 tons, whereof 32,000,000 were British. This total, it will of course be remembered, counts the same tonnage not only coming but also going, and counts it both coming and going, perhaps, many times in the year. But it all represents cargo carried to or from British ports, whether in or out and whether by different vessels or the same. It is thus the measure, not, indeed, of the number of ships nor of their tonnage, but of the whole seaborne carriage involved. Of this whole, then, British vessels trading to Germany represented nearly 4,000,000 tons, and German vessels entering and clearing in Great Britain 3,000,000 tons. Now, in war time British ships could no longer trade with Germany nor German ships with Great Britain, wherefore the first effect of the war would be to diminish the 45,000,000 tons of British entries and clearances by the sum of these two—viz., 7,000,000, and to reduce it to 38,000,000. What will become of the 3,000,000 of German tonnage stopped we need not at present inquire, but with regard to the 4,000,000 of British tonnage set free from the trade with Germany it will be remarked that it amounts to 12 per cent. of the whole British tonnage entered and cleared with cargo in the country. Here, then, is an addition of 12 per cent. to British tonnage. Taking that alone, would its effect be to raise British freights, which is confidently predicted as one of the certain results of a war, or would it not rather be *pro tanto* to lower them?

(2) It is further to be remembered that our food imports of all sorts (excluding wines, spirits, and tobacco) reach only a value of £190,000,000, and our raw material imports of all sorts only £147,000,000; or, taking both food and raw material together, £337,000,000 out of a total import of £528,000,000. If, then, the tonnage broadly corresponds with the value, we should require no more than three-fifths of the tonnage entered and cleared to carry the whole undiminished supply of food and raw material. In other words, if we dispensed with luxuries we could continue our full seaborne supply of food and raw material with 27,000,000 out of the total of 45,000,000 tons entered and cleared—a difference of 18,000,000 fewer tons required to continue uninterrupted the carriage of our absolutely indispensable supplies of first necessity. For this diminished carriage we should have more ships available. We should have 4,000,000 more of British tonnage to do 18,000,000 tons less work. We should in all have a redundancy of 22,000,000 tons. Would this probably raise freights? Would it not rather probably lower them?

(3) But that is not all the story. There is the German shipping. In 1902 (Statistical Abstract for Foreign Countries, p. 39) there were entered and cleared in Germany, with cargoes, German ships of a total of 13,000,000 tons. What will become of *them*? Is it not highly probable that, with the British Navy predominant, most of these ships would be unable to continue running? If so, at least a portion, probably a large portion, of their trade, such as that to North and South America, would fall to the British shipowner. This would seem likely *pro tanto* to raise British freights, and, if the proportion were large, to raise them considerably. And here would come work for our redundant 22,000,000 of tonnage. There will clearly be cross currents and conflicting influences in freights.

(4) Germany, however, although deprived of the use of her own ships, need not intermit her trade, as she would have been forced largely or wholly to do under the old rule which made German property liable to capture, even under a neutral flag. Under the new rule it will matter nothing whether her Navy is or is not able to protect her 13,000,000 tons against British capture. She can carry every ton of it under the neutral flag, and run it under that flag into or out of any German port not effectually blockaded. Holland, Belgium, Norway, perhaps even Denmark, possibly even the United States, could furnish tonnage for these uses; and if these did not suffice, a considerable portion of Germany's own tonnage—already laid up out of work and profitless—could be, and probably would be, transferred to one of the flags named. Were this to be the result, any temporary rise in British freights resulting from the withdrawal of German tonnage would be brought down again by the reappearance of that same tonnage under the neutral flag.

T. G. B.

November 24th, 1906.

(4.) NOTE ON PRICES IN WAR-TIME.

It is informing to recur to the effect on prices of the war with France which began in February, 1793, and lasted in its first phase 8½ years, till October, 1801, and in its second phase 11 years, from May, 1803, until 1814.

Taking the first phase of eight and a half years, we find that "never before was the shipping of this country employed at higher freights." (Tooke's History of Prices, Vol. I., p. 104.) There was an "increased rate of freight and insurance which applied to the whole period of the war, but which in the last six years of it amounted to an enormous charge on all importations from the Continent of Europe." (Vol. I., p. 115.) But we nevertheless find that in the first two years of the war "there was a very general fall of prices from the close of 1792 to the commencement of 1794. On looking over the table of prices it will be seen that there were very few commodities which were not lower at the close of 1792, and at different periods in 1793 and 1794, than they had been at the commencement of 1792 . . . . the lowest point of depression of the prices of such articles as had risen most between 1790 and 1792, seems to have been reached in 1794." (pp. 178-9.)

Thus in the first two years of the war, although freights and insurance rose, prices generally did not rise, but fell. With the beginning, however, of the third year of war (1795), prices began to rise rapidly, especially the price of corn, which reached 108s. in August of that year, causing great distress to all, but especially to the poorer classes. During a whole year the high price continued. But it did not last. At the end of 1796 the average price of wheat fell to 57s. 3d. In 1797 it fell still further to 49s. and 50s., and in 1798 to as low as 48s., "so that," says Mr. Tooke, "after six years of war (1793-8), involving a gradually increasing expenditure, defrayed by loans, much larger towards the later than at the earlier period, we see the prices of corn, after having been elevated by scarcity, obviously arising from the seasons, falling, upon the return of only moderate abundance, to the level whence they had risen." (pp. 182-188.) Moreover, if the price of corn did not rise at the outbreak of war, neither did the prices of other commodities, as to which "there had been a general fall of prices at the commencement of the war, and they continued at a comparatively low range through the greater part of 1794"—i.e., during the first two years of the war.

In 1795 and 1796, indeed, imported commodities such as hemp, tallow, timber, sugar, and cotton, rose and continued to rise until the close of 1798, by which time their price had generally doubled, and was "much higher than during any subsequent period of the war." (pp. 190 and 192.)

Then, after five and a half years of war at the close of 1798, the price of food again advanced, until in March, 1801, wheat was 156s. a quarter. (p. 224.) Imported commodities such as wool and timber also

rose, but, on the other hand, such Colonial produce as sugar, indigo, and tobacco, fell to more than half-price between 1798 and 1801.

Now, however, ensued another change in the price of wheat. In January, 1801, Great Britain had already been at war eight years; she continued to be so for another nine months, when it might be presumed that the stress of war upon prices, if any stress there was, would be greater than ever. But wheat did not rise. On the contrary, it fell from 156s. in March, 1801, to 129s. in June, 1801, and again to 75s. a quarter at the end of 1801. (p. 237.) It should be remembered that so early as this year, 1801, we already depended on foreign wheat to the extent of one and a half-million quarters, or about one-fifth of our whole consumption. (p. 237.)

A further notable fact, pregnant with instruction and with suggestion, is that during the old French war, under the old rule, while prices went down in England, they went up in France, especially for Colonial produce. At the close of the war in 1813 (as we learn from Larpent's Journal), the French consumer had to pay 6s. a pound for his sugar, while the British consumer got it for 6d.

If I have dealt, as I fear is the case, somewhat tediously with these figures, it is partly because Mr. Tooke's valuable work has been somewhat carelessly quoted to show that the outbreak of war does necessarily increase prices; whereas the extracts given show that Mr. Tooke affirmed and proved the contrary. In this instance, at least, neither the outbreak nor even the eight years' continuance of war had the effect upon prices which is at present assumed to be inevitable.

There is the further fact that in 1817, two years after the battle of Waterloo, when not alone the second, but the third and final phase of the war had been ended, "the highest price was on the 14th June, when wheat in Mark Lane sold as high as 135s." (Tooke, Vol. II., p. 20.)

It is impossible to continue in a belief that war necessarily raises the price of food when we find it above shown that, during war, wheat was at certain moments as low as 48s., and that two years after the conclusion of peace it was as high as 135s.

November 24, 1906. T. G. B.

APPENDIX IV.

OUTLINE OF SCHEME proposed by Mr. RAYMOND BECK, upon which his Evidence before the Commission on Tuesday March 12th was based.

(*See* Evidence Qs. 1197-1484.)

INDEMNITY.

Indemnity to be guaranteed by the State.

To become operative on outbreak of war.

Free indemnity, except where sufficient notice has been given to shipowners, for voyages through zones declared by the Board to be hazardous.

The Board to have power to issue regulations as to routes, and, if necessary demand detention or abandonment of voyage.

Example:—On outbreak of war with America, other powers, neutral or allies.

Free indemnity would be granted to all vessels at sea or to those that sailed before orders could be conveyed to them.

The Board would declare free indemnity for Baltic, White Sea, Continental ports, Mediterranean, Black Sea, India, S. Africa viâ Suez Canal.

Admiralty would at once hand in chart showing:—

(1) Routes under control of enemy, say, to or from West Indies, U.S., St. Lawrence, Philippines.

These routes would be forbidden till further notice.

(2) Routes more or less patrolled by British Fleet, but hazardous.

All homeward bound vessels by these routes would have benefit of indemnity, but would be subject to a tax of 1 per cent. levied on arrival, both on hull and cargo.

The values for loss or taxation to be the market value of the hull, plus freight, and the arrived market value of cargo. In case of vessel bringing a mixed cargo, all shippers to supply values (same as given for marine insurance) for insertion on the manifest.

Hazardous and prohibited routes would be altered according to the progress of the war.

For outward voyages through zones declared hazardous a tax of 1 per cent. to be paid before sailing.

Only British hulls and cargoes to be indemnified.

British cargoes in foreign hulls to be covered only when owners have asked for registration for voyage in question, and have complied with regulations.

Any shipowner to be free to claim exemption from indemnity and taxation. Where indemnity is claimed no other insurance against war risks to be allowed.

Where vessels are detained owners to be compensated.

Cargoes lost in vessels which have not complied with regulations to be paid for where it is clear that shipowners had no interest in said cargo.

OBJECTS GAINED.

(1) The knowledge of State indemnity becoming operative on outbreak of war would prevent war insurance premiums being demanded with consequent disturbance of trade during times of war rumour.

(2) Trade would proceed without disturbance through zones declared to be outside the war area or danger zone.

(3) The war tax of 1 per cent. would not seriously hamper trade carried on through hazardous zones.

It is believed that the proceeds of the tax would meet the losses paid by the State. The regulations as sketched above preventing wilful throwing away of vessels into the enemy's hands.

If war is allowed to break out without some scheme being completed, it will be found impossible to obtain insurance except at panic prices. In the event of a batch of captures taking place at the commencement of a war, sufficient insurance against war risks would not be obtainable. The great majority of underwriters would close their books, considering that they already had as much liability as they could take care of.

It is, of course, to be hoped that no routes would be prohibited, and very few declared hazardous.

APPENDIX V.

NATIONAL INDEMNITY.

Proposals of Mr. Douglas Owen.

(*See* Evidence Qs. 2115-2406)

I.

Reasons for the Adoption of a Scheme of National Indemnity.

Effect of Declaration of Paris.

It is, no doubt, a point in favour of the Treaty of Paris that it will enable us to receive supplies, free from risk of capture, under the neutral flag. This advantage is, however, completely outweighed by the prejudicial effect on our shipping, which is now exposed, on the outbreak of war, to being starved out—for nobody, either British or neutral, will ship his goods by a British vessel which is liable to capture, so long as he can ship them by a neutral vessel which is not liable to capture. By British subjects especially British ships will be avoided, seeing that both ships and cargo will be exposed to confiscation, while on neutral ships they will run no risk. By neutral subjects they will be avoided, because, if the ship is captured, delay, loss of market, damage, and expenses will accrue to the cargo. The Declaration of Paris is, in fact, a "Declaration of Transfer of Belligerent Commerce to Neutral Vessels." The risk to the British shipping industry is so real and so grave that it is impossible to suppose that it was in the British contemplation at the—practically secret—signing of the Declaration. There was never any public discussion or opportunity for public discussion on the point. It is difficult to over-rate the seriousness of the danger to our shipping.

And the more we rely on neutral shipping for our supplies in time of war, the more we shall be pushing our own shipowners into the background. If the danger had been foreseen when the Paris Treaty was in contemplation, no doubt some counteracting plan—*e.g.*, a system of national indemnity—would have been evolved for the protection of our shipowners. The danger almost certainly never was thought of, and when the Treaty had been quietly adopted it was too late to discuss it; and, shipowners not being organised as they are now, it was nobody's affair. Nothing was done, but the danger remains the same, or even greater. Shipowners who realise the position are, in fact, very much alive to the danger, and very apprehensive.

Danger of Loss of Carrying Trade.

I wish to lay great stress on this subject—the danger of our great national industry of shipowning passing on the outbreak of war into the hands of our foreign competitors, some or much of it perhaps never to return. The danger is of the first magnitude, and calls for the most earnest consideration.

First, let me endeavour to show more particularly how, in consequence of the Declaration of Paris, war will operate to the prejudice of our shipping, consequent on the action of:—

(1) *British Merchants or Shippers*, whether at home, in India, or in the Colonies. First, the shipowners, as distinguished from the shippers, will have to pay a premium, possibly heavy, to insure their ship against capture risks. Similarly, they will have to insure their carriage-money or freight. Then they will have to pay extravagantly to get crews. Lord Charles Beresford stated, in an address to the Liverpool Chamber of Commerce, in July, 1896, that when the new ships were added to the Navy there would be a deficiency of 27,562 men in the Navy, apart from any war wastage; and that of our merchant seamen nearly 100,000 out of 240,000 are foreigners. Many, if not most, of these foreigners would have, or would elect, to return to their country, and many of the British Royal Naval Reserve men and others would voluntarily or otherwise take service in the Navy, which would be in urgent need of every man obtainable. It will be exceedingly difficult for British owners to obtain crews, and they will have to pay very high wages to get a crew at all. Their war premiums on ship and on freight and their extra wages will all serve to enhance their rates of freight, which will be at something like famine prices. These charges will all fall on the cargoes. In addition to very heavy freight, cargo will have to pay on its own account heavy war premiums. By shipping under the neutral flag all these heavy charges will be avoided, so that British merchants will be forced to avoid the British flag and to ship in neutral vessels whenever at all possible.

(2) *Neutral Shippers* will also do so, because, though their own cargoes on British ships will on the necessary proofs of ownership being found satisfactory be free from confiscation, they will have to pay the war freights and run the risk of delay, damage, and expenses caused by capture and confiscation of the ship. The result will be that very many British ships will be laid up in port, with great loss to the national income; also, that foreigners will get command of, and after the war will doubtless retain, much of the British carrying trade. Our short sea traders and our coasting steamers and craft will be laid up owing to the risk of capture, and their neutral rivals will proceed to take their place and trade. Neutral shipowners will seize the opportunity to bring this about the more effectually by buying the laid-up British ships, and many shipowners will no doubt be induced or will be glad to sell their ships. All or much of this must needs be the inevitable result of the practical working of the "free ships, free goods" clause in the Declaration of Paris.

Two Grave Dangers.

We have, then, two grave dangers confronting us—famine prices for food supplies and raw materials, and the starving out of our shipowners, with the further prospect of foreign carriers acquiring and retaining possession of more or less of the national carrying trade, and in any ordinary procedure to obviate or diminish one of these calamities we cannot avoid aggravating the other. It is a national dilemma more especially due to the unforeseen operation of the Declaration of Paris. There is, so long as private property at sea remains liable to hostile capture, no single complete way out of the difficulty. It can, however, to a very great extent be surmounted by a scheme or system of national indemnity against war risks, and by further supplementing this scheme the remedy or solution can be made comprehensive and sufficiently effectual. I will submit the supplemental or ancillary measures before propounding the main scheme—meantime, however, assuming the existence or adoption of the main scheme, viz., that of national indemnity against war risks.

II.

The foregoing dangers can be met in part by national indemnity and in part by special measures preliminary to or in conjunction with such indemnity. I now repeat the "Preliminary Proposals" submitted to the Food Commission:—

Preliminary Proposals.

(1) *Revival of the Navigation Laws.*—On the outbreak of war I recommend that, subject always

to any treaty obligations, the national trade, *i.e.*, the coasting trade of the United Kingdom and the trade between the United Kingdom and her Colonies and Possessions, and (if the Colonies so decide) the colonial inter-trade (*e.g.*, between Australia and New Zealand, and between Australasia and Vancouver, etc.), be closed to neutral shipping, either absolutely or subject to such tonnage dues as would deprive neutral vessels of their predominant attractions. There would be nothing novel or unlawful in once more applying the principles of Protection to our national trade. Until 1854 our coasting and Channel Islands trade was strictly protected. At the present time the United States coastal trade is so protected, the "coastal" trade including, *e.g.*, voyages between New York and San Francisco. The Canadian coastal trade is, I believe, also protected. Thus by a stroke of the pen England's trade with India, Australia, the British Straits Settlements (query, Hong Kong and Shanghai?) and Canada will be preserved to British shipping and closed to our neutral competitors. Some measure of this kind will certainly be called for, for it is clear that no merchant will ship by a British vessel on any voyage whatever if he can possibly avoid doing so, both because of the high rate of freight which all capture-liable ships will have to charge, and because of the serious loss and inconvenience to cargo owners if the carrying ship should be seized and condemned. Power could, of course, be reserved to enable any particular trade to be declared or remain free, by Order in Council or otherwise.

The above proposal is, of course, open to the objection that by shutting out neutral ships from our colonial trade we shall be throwing away the benefit of the "free ships, free goods" clause of the Declaration of Paris; that food supplies and raw materials which would be exempt from capture in neutral ships will be liable to capture in British ships. We are, in fact, in the grave dilemma that exactly in proportion as the Declaration of Paris gives us free supplies, so, conversely, does it drive trade from British to neutral bottoms. If we are to protect the British carrying trade we must make up our minds to go without the protection of this clause of the Declaration of Paris. But with a predominating Navy, a command of the coaling stations, and a general if not universal modern adoption of the principles of the Foreign Enlistment Acts, which will close neutral ports to belligerent vessels seeking to prey on British commerce, we ought now to be able to protect our commerce in a manner not possible in our previous wars.

(2) *A Cargo Tax on United Kingdom Products Shipped by Neutral Vessels.*—Even with, under a national indemnity scheme, no war premiums to pay on British vessels, they will be dearer and less attractive than neutral vessels, which will be able to proceed direct to their destination without any fear of capture, and which, by reason of their ampler facilities for manning, will be able to charge lower freights than British vessels. Therefore in the interests of British shipping I recommend that, subject always to any treaty obligations, during war British shipped goods to neutral ports be required to pay a shipping tax when put on board neutral vessels. It would, of course, be open to our Colonies to pass a similar law. In this matter the interests of our shipowners and our manufacturers seem in conflict, but, at any rate, manufacturers who, under a system of national indemnity, will get their raw material free of war premium, will have no right to complain of a war tax on their goods if shipped by neutral instead of by British vessels.

By reviving, on the outbreak of war, the Navigation Laws, we should preserve the inter-Empire trade to British vessels; by imposing a goods tax on United Kingdom products shipped to neutral ports by neutral vessels, we should similarly preserve to British vessels our carrying trade from the United Kingdom to ports outside the Empire. In view of such support to British shipping, shipowners would be unlikely to object, even if they had any right or power to object, to:—

(3) *Prohibition of Sale of British Shipping to Neutrals during War.*—Any dislocation of British trade will import the disablement of certain British vessels and the opportunity for foreigners to step in. British owners will suffer unusual temptation to get obsolete and laid-up ships off their hands; their foreign rivals will have special inducement to buy such ships. This ought, in the national interest, to be discountenanced. A prohibitive tax or duty should be attached to the sale-proceeds of any British ship sold to neutrals during the progress of hostilities, or such sales should be absolutely prohibited. It is, however, quite possible that the enemy might himself refuse to recognise such sales apparently effected to place our property out of his reach. By an Order in Council in 1807 we gave notice to all the world that we should refuse to recognise the legality of such sales on the part of our enemies.

The above provisions—(1) revival of Navigation Laws, (2) a tax on British goods exported by neutral ships, and (3) prohibition of sales of ships to neutrals—will do much to neutralise the prejudice caused to the British shipping industry by the Treaty of Paris. In themselves they will have further a valuable moral effect on any foreign nations to whom the Paris Treaty affords hope of some day securing our trade. The provisions leave untouched, however, the question of cheap supplies of food and raw materials. They aim primarily at securing trade to our shipping—not at cheap carriage by such shipping. Under protective Navigation Laws wheat will reach us from Canada and India, wool from Australia, under the British instead of the neutral flag; but whereas neutral vessels would bring supplies free of war premiums and war freights, cargoes by British vessels would be heavily weighted by such charges. By the national insurance of British shipping and cargoes bound to British (*i.e.*, United Kingdom) ports we shall, in the matter of carriage charges, except so far as freights are increased by high wages, put foodstuffs and raw materials to this country on the footing of peace supplies; they will be free of war premiums on ships' freights and cargoes. At any rate, with the exception mentioned (freights increased by high wages) they will be as cheap by British as they would have been by neutral vessels. I will now pass to my main proposal, viz., that of National Indemnity. Before doing so, however, I should like to remark that—

(*a*) The scheme will not be compulsory. It will be open, so far as ships are concerned, to any shipowner who finds its restrictions irksome to take out his own policy on war risks and to go his own way. In view, however, of the great advantages of the scheme and of the effective competition of those trading under it, few, if any, shipowners will be likely to disavow it. But it will not be an obligatory scheme.

(*b*) By placing the scheme on the Statutes it will become a permanent scheme, though operative only on the outbreak of war. Its permanence will thus render unnecessary the insurance against war risks at present common on the *fear* of hostilities, such insurances being sometimes effected at high rates and during considerable periods, to the prejudice of our trade and consumers.

(*c*) It will be open to our Colonies (as also to our allies) to adopt it or not, as they please. Probably to a greater or less extent they will find it to their advantage to introduce corresponding legislation on their own account. New Zealand, Australia, and Canada own many ships, all of which will be liable to capture; our enemy will in fact endeavour to injure us by wounding our Colonies. An Act passed by us could be so framed as to enable any Colony to adopt its provisions; provision should also be made for its adoption by our allies, but the Act would be primarily in our own (United Kingdom) protection.

Also, before proceeding with my proposals for a scheme of national indemnity, it may be well to set forth *seriatim* the objections offered to it—all the objections of which I have any record—viz.:—

III.

Initial Objections Quoted Against the System of National Indemnity.

(1) Want of official familiarity with insurance procedure and with city methods will prevent the practical or satisfactory working of the scheme, whilst the delays inevitable to official methods, more especially of settlement and payment of losses, will be fatal to it. (*Vide* Art. 3.)

(2) That the inexperience of the Government officials will both invite and render it impossible to detect frauds. And that, relying on this inexperience, some shipowners will not be unwilling that their ships should be put in the way of capture. (Art. 17, 20, 21, 22.)

(3) That, whereas there is always available an appeal to the law against any undue delay or inequity in the case of ordinary insurances with underwriters, there

will be no appeal against the methods or decisions of the Government; the Crown cannot be sued except with its own consent, always difficult and sometimes impossible to obtain. (Art. 3 (3).)

(4) That, whereas it is usual for shipowners and merchants to over-insure, and for underwriters to pay the sum insured without any question as to the actual value, Government is not likely to pay more than the actual value. That mercantile usage in certain circumstances regards this value as inadequate, and that the official method even of fixing the actual value will almost certainly be unsatisfactory. (Art. 17, 18, 19.)

(5) That losses sometimes occur owing to mixed causes, and that the owners of property lost partly owing to war risk and partly owing to sea perils will be likely to fall between two stools, and will refuse to expose themselves to such a disastrous possibility. (Art. 23.)

(6) That goods of foreign ownership will have ascribed to them improperly a British ownership for purposes of British indemnity. (Art. 10, 13.)

(7) That difficulties will arise in the event of the loss of a vessel whilst deviating under Admiralty instructions in order to avoid capture. (Art. 16, 23.)

(8) That a scheme adopted only on the outbreak of war will come too late; that a scheme, to be any good, must be such as to obviate the payment of possibly heavy war premiums during a period of tension which may end either in peace or in war. (Prelim. H. b. V.; Art. 26.)

(9) That a national acceptance of liability for capture-losses without any discrimination between or control over the ships will conduce to losses. (Art. 20, 21, 22, 27.)

(10) That any scheme of payment of war-premiums or other consideration to the State will be full of difficulties. (Objection good. *Vide* Art. 6, 8.)

IV.

Basis of Scheme.

The following draft-scheme assumes that the objects of any similar scheme must be as follows:—

(1) The cheapening of food supplies and raw materials during war.

(2) The protection of the national shipping interest endangered by the operation of the "Free Ships, Free Goods" clause in the Declaration of Paris.

(3) The protection of the national manufacturing and export trades similarly endangered.

(4) The provision of cargoes for the national shipping in United Kingdom loading-ports.

V.

Scheme Must be Initiated During Time of Peace.

A scheme only to come into operation on the outbreak of war will be worse than useless. It will take weeks to get it into operation, and it will be just in these first weeks of a naval war that panic will be at its worst and captures most numerous. War may come suddenly and unexpectedly or it may come as the climax of a prolonged period of apprehension during which war-premiums may become a severe burden on trade and a danger to British shipping. Whenever was breaks out much property will be on the high seas, exposed to the risk of capture. Therefore any scheme of national indemnity must be instituted and habitually operated as a normal and constant condition. And to ensure its immediate and effective operation on the outbreak of war, it should from time to time, as far as practicable, be tested in its working in time of peace. To ensure a knowledge of its conditions in maritime circles ships' officers under examination for navigation certificates should be required to satisfy the examiners as to their (the candidates') acquaintance with it.

VI.

Scheme to be Optional to Shipowners.

It would be difficult and undesirable, and probably impossible, to force shipowners to adopt the scheme against their will. The most that can be done, and it seems quite possible to do it effectually, is to offer to shipowners a scheme so attractive that most, if not all, of them will recognise the advantage of adopting it. The object should be to provide a scheme which will

(1) Enable them to effect a saving on their war premiums at all times, and especially in the event of war.

(2) Protect them against the operation of the "Free Ships, Free Goods" clause in the Declaration of Paris; and

(3) Place those shipowners who accept the scheme in a position in which their vessels will claim the preference of cargo-shippers over vessels whose owners reject the scheme.

When such a scheme has been provided, then shipowners can with tolerable confidence be expected to enrol themselves under it. But they must be left free to accept or reject it, and to accept it as regards one or other of their vessels, and to reject it as regards the remainder. Also they should be free to withdraw from the scheme after having enrolled under it. Protection of cargo under the scheme pre-supposes that the carrying-ship is enrolled under, and therefore subject to sailing orders issued under it. The cargo must follow the fate of the ship, but while the scheme invites the enrolment of all United-Kingdom-owned vessels, cargo will only be protected on voyages defined —presumably voyages *to* the United Kingdom and *from* the United Kingdom, and no others.

Immediately on passing of the Act shipowners desiring enrolment must within a period, to be fixed, send in a form indicating their vessels to be enrolled, the information to state such particulars as will be required for compilation of a Register of Indemnified Shipping.

VII.

Definition of Terms.

"*The Scheme*" means the Scheme of National Indemnity against Hostile Capture.

"*The Fund*" means the National Indemnity Fund supporting the Scheme.

"*The Trustees*" means the persons for the time being vested with the administration of the Fund.

"*The Indemnity Register*" means the trustees' annual list or register of vessels placed by their owners under operation of the Scheme.

"*Enrolled Owners*" means shipowners who have caused all or any of their vessels to be enrolled or registered under the Scheme.

"*Protected Cargoes*" means cargoes (a) on enrolled or registered vessels bound, (b) on voyages declared, under the Scheme to be within protection of the Scheme.

"*National Board of Claims*" means the body to be appointed by the trustees for the purpose of receiving and settling claims attaching to the Fund, for payment by the trustees.

1. The National Indemnity Fund.

(1) Immediately on the passing of the Act a fund to be created under the title "National War Indemnity Fund"; the Treasury to finance the fund as and when required; provision to be made accordingly by Parliamentary vote.

(2) The fund to be administered by (?12) Trustees, members of, or nominated by, (?) the Committee for National Defence, the Admiralty, the Board of Trade, and the Treasury.

All annual subscriptions of enrolled shipowners, moneys received as fines or penalties, or by way of salvages or recoveries, subscriptions or moneys received by provision or sale of the indemnity register, and any funds of whatever kind accruing in connection with the Scheme to be placed by the trustees to the credit of the fund.

All losses or payments in connection with claims on the fund, all costs or charges incurred, after legislative adoption of the Scheme, in respect of printing and issuing notices, of employing clerks, of compiling, printing, and publishing the Indemnity Register and its supplements, and any outlays involved by the due conduct of the Scheme to be placed by the trustees to the debit of the fund.

2. Co-operation of the Admiralty.

On passing of the Act, the Lords of the Admiralty shall in consultation with the Trustees and the Committee of Lloyd's proceed without delay to formulate instructions for the guidance of the owners of enrolled vessels on the outbreak of war, including a system by which the owners, on public notification in that sense, shall immediately inform the Admiralty as to the position and voyage of their vessels enrolled; and it shall be the duty of the Admiralty further to organise procedure which shall enable the Admiralty, on receipt of such information, to give on behalf of the Fund prompt instructions to the owners as to the sailing, detention or deviation of such enrolled vessels.

3. The National Board of Claims.

On the occurrence of hostilities involving the risk of capture by the enemy at sea, or at such other time as the Trustees may deem expedient, the Trustees shall proceed to appoint, for the purpose of receiving and dealing with claims on the Fund a Board of (?) 12 members to be known as the "National Board of Claims."

(1) The Board to consist of nine underwriting experts; being Claims-Examiners of Marine Insurance Companies having their head offices in London or Liverpool, and Lloyd's Underwriters of special experience in the settlement of claims. Three Trustees of the National War Indemnity Fund, of whom one to be Chairman of the Board.

(2) The Board to meet in the City of London at the Mansion House, the Guildhall, at Lloyd's, or elsewhere, as decided. If found necessary or desirable, a similar Board to be created at Liverpool. In such event, in order to insure identity of procedure and information, two members of the London Board to attend the Liverpool meetings, and conversely.

(3) The Board to be constituted under the Act as a corporate body endowed with, in effect, the rights and obligations of a marine insurance company under the Companies' Acts. The Schedule to the Act to contain a copy of the customary Lloyd's policy and to declare that the war risks covered under the national fund are to be deemed insured by and to the extent of the definition in the Act as though Lloyd's policy-form expressed the insurance, with liabilities in respect of general average, salvage, and/or otherwise as would be covered or contemplated under such a policy. The Board to have power to sue and be sued as if it were a public marine insurance company which had insured war risks only, under a Lloyd's policy; compliance on the part of the assured being required with all orders or regulations of the Admiralty and/or under the National Fund.

(4) Power to be given to the Board to make its own regulations, to call for all books, bills of lading, policies of marine insurance, invoices, contracts of purchase, sale, or affreightment, papers or correspondence in possession of claimants on the Fund, necessary for investigation or verification of any claim, or for proof of ownership of the property; and to pay or refuse to pay, or to hold over or pay "on account of" any claim in its discretion. Claimants to have right of appeal direct to the Court of Appeal in the case of any rejection of a claim on the grounds of alien ownership of the property or otherwise. The Board to have right to appear in defence, by Counsel. The Board to keep such books and records as are usual in marine insurance offices, or as the Board may decide, such books to be open to the inspection of the Trustees of the Fund.

(5) Claims approved by the Board to be paid by warrant on the National War Indemnity Fund, at three days' date, or otherwise promptly, the warrant to be signed by two members of the Board, the Board sending to the Trustees of the Fund particulars of claims thus passed, of their amounts and of the parties to whom warrants have been delivered.

(6) The Board to retain or to be entitled to retain all the documents of the claim in order to be in a position to take any usual or needful steps as regards salvage or claims over against third parties, whether under policies insuring against marine risks or otherwise.

(7) The Board, immediately on its appointment, to proceed to formulate such rules or instructions as may be necessary for the guidance of the Ship Valuation Committee, and for the cargo experts who may be called upon to fix the actual value of cargo captured.

4. The Indemnity Register.

A Register to be published annually by the trustees, containing an alphabetical list of all vessels enrolled under the scheme, with such supplementary lists of additions and amendments as may from time to time in the course of each year be requisite.

The Register to contain a copy of the Act and of any regulations or instructions from time to time issued in connection therewith.

The Register to supply against the name of every vessel therein the number of the vessel's enrolment or registration, description (*i.e.*, whether steamship, sailing vessel, tug, etc.), gross tonnage, date and place of construction, name of owners and port of ownership. An alphabetical list of the enrolled owners also to be contained in the Register.

A copy of the Register and of all supplements to it to be supplied by the Trustees to enrolled owners, free of cost. Annual subscribers to be supplied at a subscription of (?) 10s. annually, and the Register to be on sale at (?) 20s., with an additional charge of (?) 6d. for each supplement.

[*Note.*—The compilation, printing, distribution, and sale of the Register and its supplements might conveniently be entrusted to the Committee of Lloyd's Register of British and Foreign Shipping. The methods to be followed would be identical with those in force in the case of Lloyd's Register.]

5. Certificate of Enrolment or Registration.

A certificate of registration under the scheme to be furnished to the owners or master of each vessel so registered, the certificate to be displayed on board, as in the case of a vessel's certificate of British Registration.

6. Annual Fee for Registration by Shipowners.

(a) Shipowners enrolled under the scheme to pay annually a fee of (?) £3 for each 1,000 tons or fractional part of 1,000 tons gross, registered in their name.

(b) In the case of vessels which might have been but were not enrolled within a period of (?) 30 days of the Trustees' invitation to shipowners to enrol, an additional or special fee of (?) £1 per 1,000 gross tons or part thereof shall in any case be paid to the Trustees in respect of vessels of such late entry for enrolment.

(c) And if in the opinion of the Trustees such late application for enrolment shall be attributable wholly or in part to an increase or apprehended increase in the premiums then or recently current for insurance of war risks in the marine insurance market, then the Trustees shall require for enrolment such increased or additional fees as may seem to them expedient, and may in their discretion defer the consideration of such applications.

(d) Any vessel withdrawn from the scheme by her owners shall be entitled to re-enrolment at the applications of her former enrolled owners only in accordance with provisions (b) and (c) above.

[*Note.*—The total gross tonnage of vessels owned in United Kingdom, Channel Islands, and Isle of Man is, say, 17,000,000 tons. If *all* the owners should enrol under the scheme, the annual payments at £3 per 1,000 gross tons would be, say, £51,000.

At £10 per ton, 1,000 tons = £10,000
At £8 per ton, 1,000 tons = £8,000
£3 on £10,000 = 7 1-5d. per cent. or £3
£3 on £8,000 = 9d. per cent. or £3

It might be well to call for evidence on the values of tonnage on an average basis, and also for evidence as to the average cost of insuring, under

existing arrangements, against war risk. Meantime it is submitted that such net annual cost is about (and not less than) 2s. per cent. per annum in the case of steamers insured for twelve months, and rather more than double this figure in the case of sailing vessels.

2s. per cent on 1,000 tons or £10,000 = £10
2s. per cent. on 1,000 tons or £8,000 = £8

So that under the scheme the owners would pay £3 for war insurance of a 1,000-ton ship, as against £10 (or £8) under present arrangements; and without, under the scheme, having to pay anything for insuring their freight.]

7. Shipowners to have Power to Withdraw from the Scheme.

Any vessel registered under the scheme to be capable of withdrawal from the scheme, provided always that no vessel shall be capable of withdrawal when carrying, loading, or offering or contracting to carry cargo on any voyage protected under the scheme. No notice of intended withdrawal to take effect until its formal acceptance by the Trustees. Until such acceptance the shipowners and charterers, if any, to remain jointly and severally bound by all the laws, regulations and requirements relating to vessels enrolled under the scheme, with liability for all penalties for breach thereof.

8. Cargo-owners' Contribution to Cost of Scheme.

See Note.

[*Note.*—There is no logical justice for the present stamp duty on marine insurance—3d. per cent.; or, in the case of twelve months' insurances, 6d. per cent. Underwriters have quite recently renewed their appeal that the marine policy duty should be one penny on each policy, as in the case of Fire, Life and Accident policies. The Chancellor of the Exchequer, in view of a Budget surplus, is considering the matter. If the existing duty were to be maintained, instead of being abolished, and allowed to enure for benefit of the scheme, a logical justification would at once be created for the stamp duty, without any additional cost to consumers, who repay the duty to their underwriters. If, however, the duty be abolished on Ship and Freight policies, this would be a great concession to the shipowners, and if abolished in respect of all cargoes other than those privileged under the scheme, this would be a considerable concession to the underwriters and assured. By maintaining the existing duty on cargoes on privileged voyages and crediting the duty to the scheme, a substantial annual income would be assured to the scheme. (? £50,000 to £100,000 per annum.)]

9. Vessels (and their Freights) Capable of Enrolment or Registration.

The vessels capable of enrolment under the scheme to be all or any vessels owned in the United Kingdom and so registered.

[*Note.*—So far merely as the national supplies are concerned, it might at first appear that ships need only be indemnified on voyages to the United Kingdom. But the war premiums to get the ships to their loading ports will have, in effect, to be paid by the owners of these supplies or homeward cargoes. Therefore, ships must also be insured—certainly if in ballast—*to their loading port.* But to determine whether a ship should or should not be regarded as bound to her homeward loading port would give rise to difficulty and confusion, and the national scheme should be clear and explicit. Besides, the war premiums on cross voyages, with the consequent high freight for such voyages, will give neutral vessels on such voyages such an advantage over British vessels that British vessels will be left out in the cold. The scheme should be at once clear and comprehensive.

The indemnity of British-owned ships against capture seems the logical sequence of freeing from capture the enemy's goods in neutral vessels. And it will in addition be the complement of the already proposed regulation prohibiting sales of ships to neutrals during war, if such regulations be adopted.

To include all ships in the British Register would let in all Colonial-owned vessels, trading coastwise, intercolonially, and to foreign ports. Such vessels should be capable of enrolment, but this should only be done under pecuniary guarantee by the Colonies, if they should so decide.]

10. Voyages on which Cargo is Covered.

Cargoes in enrolled ships shall be covered under the scheme—

(a) On voyages from the United Kingdom to Colonial ports and to ports of neutrals.

(b) On voyages from Colonial ports and ports of the King's allies to the United Kingdom.

[*Note.*—It may be urged that we are not called upon to protect goods going to foreign consumers. There is, however, another aspect of the case, involving the interests of our shipowners and our manufacturers. For, unless we insure our manufactured goods to over-seas consumers, the consumers will to the utmost, in order to save war premiums and war freights, employ foreign ships, under the Declaration of Paris, to the prejudice of our carrying trade. Further, foreign manufacturers will seek to supply our colonial and foreign markets, to the prejudice of our manufacturers and their employees, and any trade so gained by foreigners may be permanently retained by them.

If neutral vessels be excluded from our inter-Imperial trade, this will protect our shipping, but unless we insure cargoes to the Colonies, the Colonies will try to supply themselves in foreign markets.

It is a question of balance of advantages; whether it would be better for us to save the national pocket as regards risk of capture of our manufactures to over-seas markets, or to take this risk upon ourselves in the interests of our shipping trade and industrial population.

As to cargoes carried by protected United Kingdom-owned ships intercolonially, etc., it must be for the Colonies to decide whether to request the protection of such cargoes under the scheme. Further, it may be urged that the scheme should exclude from its operation cargoes arriving in United Kingdom for transhipment abroad, either to over-seas ports (goods from the Continent, etc.), or to Continental ports (goods from overseas). Pecuniarily, however, the subject is relatively unimportant. It is desirable, in the interests of British shipping, to include such goods; their neutral ownership will often protect them from condemnation; and more especially, to set up distinctions and exceptions under the scheme will militate against its simplicity and shake confidence in it. It is a broad scheme, and must be worked on broad lines.

In like manner it may here be remarked that where goods are shipped to England for consumption, it is, for purposes of the scheme, quite irrelevant as to the ownership of the goods. And so with goods shipped in Great Britain to foreign consumers. If the object is to secure their carriage in British vessels, and to keep our industries employed, questions as to the purchasers of the goods are beside the point.]

11. Goods Excluded from the Scheme.

The following to be in every case debarred from the protection of the scheme, viz.:—

Gold, silver, watches, jewellery, precious stones, bonds, documents of title of whatever kind, pictures, rare and ancient books, manuscripts and instruments of whatever kind, statuary, works of art, and objects of antiquity.

12. Risks Covered under the Scheme.

The following to be the risks covered under the scheme, viz.:—

(a) "Risks of capture, seizure, and detention by the "King's enemies, and the consequences there-"of, or of any attempt thereat, and all con-"sequences of hostilities or warlike operations "by or on the part of the King's enemies, "whether before or after declaration of war."

It would also be desirable to declare covered by the "National Policy"—

(b) "Seizure of or damage to ships or cargoes, by or "on behalf of the King or the King's allies, "when such seizure or damage shall have been "incidental to the purposes of hostilities or "defence, and not to breach of national laws "or proclamations."

[*Note.*—This (a) is the well-known stereotyped wording, with the addition only of the qualifying reference to the King's enemies. Marine policies against sea risks would, in the case of nationally protected property, then be on the understanding (to be so stated in the new Act) that, unless specially otherwise declared in the policy, they do not cover any of the risks coming within the definition in the National Clause.

A long course of legal decisions has made the insurance law so clear as regards capture risks that there would be no room for ambiguity as to the extent or definition of the national risk. Shipowners, merchants, and underwriters would at once perceive and appreciate the scope and intention of the Act.

In the possible case of legitimate doubt whether a loss should be attributed to war or to perils of the seas—as in the case of a vessel sinking after an explosion which might be attributable either to a torpedo or mine, or to the bursting of a boiler, or the ignition of gas—the Board to pay the loss, and on payment to be subrogated or vested with all the rights of the assured to proceed against the marine underwriters. In the possible event of the ship or property not being insured at all against marine risks, the claimant to be deemed insured against marine risks under the common form of policy, and to be liable to refund any sum which would have been recoverable under such a policy. But any such cases will be rare.

The wording of the common form of marine insurance policy covers losses caused by hostile capture, and also losses caused by capture, seizure, and detention generally, and whether due to breach of public or fiscal laws or regulations, or otherwise. In time of war or apprehended war this protection is either collectively negatived by an over-riding clause, which excludes all capture risks whether hostile or municipal, or a war premium is charged to allow the original wording to stand good. The exceptive clause is known as the "F.C. and S."—"free of capture and seizure"—clause, and it ordinarily runs more or less as follows:—

"Warranted free from capture, seizure, and "detention, and from all consequences of "hostilities or warlike operations, whether "before or after declaration of war."

Sometimes a special policy is issued by other underwriters specifically to cover the excluded risks, the insurance being in all such cases described as

"Only to cover the risks excluded by the F.C. "and S. clause in original policy."

So that in times of war or of apprehended war it is a frequent occurrence that property is covered conjointly with different sets of underwriters, one policy being the ordinary sea risks policy, but excluding capture risks, the other being solely against the capture risks so excluded by the sea risks policy. But the capture risks policy covers capture, however arising, peaceful municipal seizure as well as hostile capture. Peaceful municipal seizure is, however, such an inappreciable risk that it is worth no special premium, and it is only excluded from the sea risks policy when the war risks are excluded, because of the greater simplicity and convenience of excluding or including capture indiscriminately *en bloc*.

The National Fund would cover capture risks due to hostilities only, and would so declare in definite terms, so that shipowners, merchants, and underwriters would clearly understand their position.

As regards losses due to the action of the King or the King's allies (*e.g.*, in sinking a British vessel in order to block a harbour or channel), no doubt such losses would in any case be made good by the State, but the trading community should have it made clear to them that such losses will be within the National Scheme, and the Act should be explicit on the point.]

13. Cargoes on Vessels Bound to United Kingdom "for Orders."

See note below.

[*Note.*—At the outbreak of hostilities, or in anticipation of hostilities, if so required by the Trustees, the ostensible owners in the United Kingdom of cargo destined for a port in the United Kingdom "for orders" either for a British or a foreign port optionally, must make their option immediately, and must instruct the shipowners accordingly, simultaneously notifying the Admiralty; such option, when once so exercised, to be final and binding, and any owner of ship or cargo subsequently varying this option to be severally liable to a penalty of £ . (The Fund must in no case be liable for loss of cargo bound to United Kingdom unless it be quite clear that the intention was finally to discharge in the United Kingdom.) Any delay in exercising the option and in communicating it as above will, in the discretion of the Trustees, disqualify such cargo from protection of the Fund. After outbreak of hostilities, the making or granting of a contract of affreightment with option of delivery to Continental port *ipso facto* to disqualify the cargo.

In the event of any vessel professedly bound for a port of discharge in U.K. proceeding elsewhere, the shipowners, and if British, the cargo-owners or their representatives to be subject to penalty for fraud on the National Fund.

14. Risks of Error in Register to be Accepted by the Scheme. The Scheme also to Protect Cargo-owners against Fault or Fraud on the part of the Ship's Master, Agent, or Owners.

(*a*) The Fund to accept all responsibility for error in the Register or Supplements.

(*b*) The Fund to be liable for all losses under the Scheme, affecting cargo, the error, neglect, default, or fraud of the master, agents, or owners of the ship notwithstanding.

(*c*) Provided always that the parties suffering the loss, or those for whom they act, shall not have themselves been guilty of such neglect or fault as shall, in the opinion of the Board of Claims, disqualify them.

(*d*) Claimants dissenting from the conclusion of the Board of Claims to have right of recourse to Court of Appeal.

[*Note.*—The State must, in the broadest manner, protect all acting in good faith of the Scheme. The Scheme must, in fact, give a guarantee such as that under the Forged Transfers Act. Bankers and others, at distant ports, in good faith accepting the security of the Scheme, without neglect on their part, must feel that their position is secure. The Trustees must come to the relief of honest sufferers, and then proceed on their own behalf to obtain compensation from, and enforce penalties against, the wrong-doers, if within the jurisdiction. It seems improbable, however, that frauds of the kind can be successfully attempted, and, even if successfully attempted, capture will not necessarily ensue.]

15. Fraudulent Representations.

Any shipowners, masters, agents, or other persons guilty of knowingly holding forth a vessel as being registered under the scheme when such vessel is not or has ceased to be so registered, to be, if and when within the jurisdiction, severally liable to imprisonment for a term of (?) years, and to be in addition liable jointly and severally (a) to a penalty of £———? for each offence; and (b) to make good any loss incurred by the Trustees by reason of such misrepresentation.

16. Delay, Deviation, and Loss of Market.

The fund in no case to be liable for any loss, charges or disadvantages incurred or suffered either by owners of enrolled vessels or by owners of cargoes therein or awaiting shipment thereby in consequence of any delay or deviation involved under operation of the

scheme. Depreciation or wastage of cargo and loss of interest or market to be regarded as losses due to delay or deviation.

Provided always that in the event of the delay in port or laying-up of any vessel for a period of not less than (?) thirty consecutive days compensation shall be paid to the owners of such vessel only, calculated at the rate of (?) pence per gross registered ton for each day or part thereof in excess of such period of (?) thirty days; but no compensation to be paid in the case of vessels delayed or laid up in any port of the United Kingdom, nor to vessels in ballast. And no compensation to be paid for loss of hire, charter, or carriage contract arising out of delay, laying-up, or deviation as aforesaid.

[*Note.*—Deviation is commonly "held covered at a premium to be arranged" in marine insurance policies generally, and owners of ships and cargoes must so protect themselves in case of deviation occurring under the scheme. (*Vide* Art. 24 (b).)

The marine insurance policy on cargo never includes the risk of deterioration, wastage, loss of market, or loss of interest due to delay, however caused. These are risks (incurred daily by reason of accident to ship or undue prolongation of voyage) which are always at the sole charge of the cargo-owners personally.

As regards ships, up to (say) 30 days' detention in port, owners can well be left to run their own risk, with right to insure against it in the clubs or otherwise.

In the case of detention in the United Kingdom, owners can protect themselves by a clause in their bill of lading enabling them to terminate their contract and discharge their cargo, if any. (It is a question whether, in view of this contingency, the cost of discharge and any warehouse rent on cargo and cost of reshipping should not fall upon the scheme. Alternatively, detention in U.K. ports could be put on the same footing as detention elsewhere.)

The theory of making no payment to vessels in ballast is that, having no cargoes on board and being able, under their provisions in that behalf, to cancel any contract, they will be free to proceed on a voyage not prohibited.

The reason for disclaiming liability for loss of charter, when the loss is caused by delay, is that loss-of-charter questions are sometimes complicated and that shipowners had better be left to protect themselves, if so desired, by a special policy against loss resulting from delay.]

17. Basis of Compensation.

The liability of the fund shall be limited either to the actual value of the property or to the value declared and insured under the policies, if any, against sea perils, whichever value shall be the less.

18. Ascertainment of Actual Values.

(a) *The Ship.*—In the event of the failure of the Board of Claims to agree with the shipowners as to the actual value of the vessel, the question shall be referred to a committee to be appointed by the trustees in co-operation with the Board of Claims, the committee to be known as "The Ship Valuation Committee," to consist of (say)—

Three representatives of shipping.

Three representatives of the Association of Average Adjusters.

Three representatives of underwriters.

One Government representative—say the Admiralty Registrar—as President.

(b) *The Freight.*—The value of the freight, if any at risk, on the cargo on board, as well as of chartered freight on cargo to be shipped, to be ascertained by the Ship Valuation Committee, the actual value of such freight or chartered freight being deemed to be the net sum which the shipowners should have received but for the capture of the vessel.

The costs to be deducted from the gross amount of the freight to be all such costs and charges as are ordinarily deducted for the purposes of assessment for general average contribution.

(c) *The Cargo.*—The value of cargo bound for the United Kingdom to be ascertained as follows:—

The Board of Claims in conjunction with the Committee of Lloyd's to determine the date on which the vessel should have arrived if she had not been captured, and the value of the cargo on such date to be certified by two produce brokers or experts, of whom one to be nominated by the Board of Claims, the other by the party claiming. Power to be given to the experts jointly to appoint an arbitrator; his decision to be final. The weight or quantity of the cargo then to be calculated by the Board of Claims, and to be appraised in accordance with the brokers' certificate, deduction being made as usual of all charges which would have fallen on the goods if they had been delivered and sold as customary.

(d) The value of cargo shipped in the United Kingdom to be the invoice cost thereof plus all costs of conveyance to and storage, if any, at the port of loading and all costs of shipping and insurance.

(e) All costs of ascertaining values, etc., as above to be borne by the fund, except that in the event of arbitration the costs of arbitration to be borne by the fund or by the claimant in accordance with the result of the award.

[*Note.*—Homeward Cargo.—Under the above method, consignees will be put, in the event of loss, exactly in the same pecuniary position as if their goods had arrived and been sold in the ordinary manner. As regards Outward Cargo, the shippers will, in effect, have their expenditure refunded to them without interest and without any estimated profit to the consignees abroad.]

19. Shipowners to be Entitled to Insure against War Risks to the Extent of 10 per cent. above the Actual Value of the Vessel.

Shipowners to be entitled to insure their enrolled ships specially against the war risks covered under the scheme to the extent of 10 per cent. of the actual value of the ship as ascertained by the Ship Valuation Committee, the marine policies for such special insurance to be deposited, together with the other documents relating to the claim, with the Board of Claims. In the event of the amount of such special insurance proving to be in excess of 10 per cent. of the actual value of the vessel as ascertained, then a sum equivalent to such excess shall be deducted from the amount of the indemnification payable under the scheme, with right to the claimants to recover from their war risk underwriters both the 10 per cent. and such excess.

The total value of the vessel for purposes of reimbursement of salvage or general average contribution shall be the actual value plus the further amount, if any, insured as excess thereof, as above, and the reimbursement shall be *pro rata*.

20. Insurances Prohibited under the Scheme.

No shipowner enrolled under the scheme shall insure against the risks covered under the fund either his enrolled vessel (except to the extent of the 10 per cent. authorised by Act 19), nor his freight to be carried by such vessel, nor any outlays, disbursements, advances, or profits in respect of vessel or freight. And in like manner owners of cargo on enrolled ships on voyages within the scheme shall be debarred from insuring against the said risks either their cargo protected under the scheme or any profits or commissions connected therewith. And all persons claiming indemnication shall attach to their claim a declaration, deemed to be under oath, that they are not parties or privy to and have no knowledge of any insurance in respect of the property captured prohibited by the scheme; false declaration to involve a penalty of £——, with or without improvement for a period of not exceeding —— months.

21. Insurance contrary to the Preceding Provision to render Void all Rights conferred by the Scheme.

On proof that a person claiming or who has been paid indemnification under the scheme has been party or privy to any prohibited insurance in respect of the property or interest the subject of such indemnification, then such person shall be deemed to have forfeited all his rights as regards such property under the scheme, and

shall repay to the fund the payment, if any, already made to him, and shall further be deemed to have forfeited and shall pay to the fund the amount of the insurance received by him from third parties. And the trustees shall by way of reward pay to any person or persons establishing the proof of such prohibited insurance one-half of any sum so forfeited to and received by the fund.

[*Note.*—Only by as effectually as possible preventing secret insurance outside of the scheme can the danger be removed of wilful or willing loss of ship or cargo protected under the scheme. It is submitted that by provisions such as those sketched in the preceding articles any such danger, if not eliminated, will be reduced to a minimum. Moreover, underwriters will be readily able to inform themselves as to the ships and cargoes within the scheme, and will view with grave suspicion any request for insurance outside of it.]

22. Consequences of Breach of Obligations by Shipowners.

(a) Any undue delay on the part of owners either in completing and sending in information called for as to the position of their ship or ships, or in communicating to their masters (and agents, if any) of any vessel any instructions of the Admiralty; and any undue delay on the part of the master in carrying out the instructions sent to him; and generally any breach or disregard of the rules and regulations or orders, whether general or special, or whether communicated to owners by public official notice or specially, to disqualify the vessel from the protection of the Fund, but with power to the Admiralty to condone in event of the owners being able to exonerate themselves.

(b) In the event of the capture of any vessel which has sailed or is sailing in contravention of the instructions of the Fund or of the Admiralty, the owners of the vessel to be liable for the loss of any cargo on board, if within the protection of the Scheme, up to a total amount calculated at £8 per ton on the vessel's gross registered tonnage, such liability to be to the trustees of the Fund. Shipowners to be entitled to insure this liability.

[*Note.*—Query, should this limitation of liability to £8 per ton be confined to cases involving no fault or privity on the part of the owners, leaving the liability of the owners unlimited in cases of their personal fault or privity?

In event of shipowners proving to satisfaction of the Board of Claims that the breach of regulation was not with their knowledge or approval, and was contrary to their intention and to their instructions to the captain, and that they, the owners, are in no way covered by insurance, the Board of Claims to annul the liability of the ship for loss of the cargo, and also to grant indemnity to the owners for the loss of their ship.

As it will be the duty of the master, on war breaking out, to remain in port till receipt of his owners' instructions, all breaches of the regulations must *prima facie* be due either to the unlawful act of the master in sailing without waiting for instructions, or to his owners sending him instructions contrary to the regulations. In order to secure the proper conduct both of captain and of owners, the captain to be liable to a penalty (? fixed at £500 as a maximum) and loss or suspension of certificate for sailing without waiting for owners' instructions, the owners being in like manner liable under statute for cargo lost by capture, and having no claim for the capture of the ship, in the event of their having ordered their captain to sail contrary to the regulations. The captain and the owner will thus have the strongest motives for proving each at the cost of the other his own propriety and the other's impropriety of conduct. There should therefore be no difficulty in learning, in any case of capture during breach of regulations, exactly the circumstances in which the breach originated.

The British Consul at foreign ports to give to the master of any ship in port on outbreak of war immediate formal notice thereof, to be signed by the master and/or agents of the vessel.

In order to give full weight and publicity to the Scheme and to the fact that they have placed themselves under it, shipowners, when inviting shipment of cargo on a voyage within the Scheme, to print or stamp plainly on all their placards, bills, shipping cards, or advertisements a notice that the ship and cargo are protected under the Scheme; and their bills of lading, charter parties, and freight notes shall bear similar indications. Omissions or neglect to fulfil these requirements to involve liability to a penalty of £——.]

23. Losses as to which the Proximate Cause is Doubtful or Disputed.

(*a*) In any case in which the underwriters of the marine risks shall deny liability for a loss on the ground that its proximate cause was perils covered under the scheme, the loss shall be dealt with by the fund on the basis of the fund's liability, and the trustees shall be empowered forthwith to proceed against the underwriters for recovery of the amount insured under the policy or policies of the latter. And in any case in which the fund, having paid for a loss, shall subsequently have grounds for so proceeding, action may be undertaken by it against the marine underwriters for compensation under their policy. Conversely and in like manner underwriters who have paid a loss shall be empowered to proceed against the fund for indemnification alleged to be due under the fund.

(*b*) The Act to provide that after the outbreak of hostilities insurances against marine risks in the case of all ships, freights, and cargoes under the protection of the scheme must be effected solely with British underwriters.

[*Note.*—Foreign underwriters, relying on the primary liability of the fund, may conceivably refuse payment on the unfairly alleged ground that the loss was in fact due to perils indemnified by the fund, and it may be difficult for the trustees to take effective proceedings against such foreign underwriters. It will therefore be a reasonable requirement, and one in favour of British underwriters, whose business will to some extent be prejudiced by the scheme, that parties intending, in the event of loss by capture, to claim under the scheme shall insure their marine risks with underwriters who, being British, are open to process on the part of the fund.]

24. Conditions or Clauses to be Declared Implied in Marine Insurance Policies.

The Act to provide—

That in all British policies on vessels enrolled under the scheme, and in policies on freights by such vessels, and in all policies covering goods on board enrolled vessels engaged in voyages protected under the scheme, clauses shall be implied in the following sense, viz.:—

(*a*) A clause that the underwriters are warranted by the assured "free from risks of the King's enemies" and "free from risks of loss by the King or the King's allies arising out of any act by them incidental to purposes of hostility or defence." (*Vide* Art. 12.)

(*b*) A clause that the assured shall be held covered, at a premium to be arranged, during delay, detention, or deviation occurring by reason of any orders or regulations under the scheme, provided notice of such delay, detention, or deviation be given by the assured on knowledge thereof.

25. Premium to be Returned for Cancellation of the Risks accepted by the Scheme.

On passing of the Act, and enrolment of any vessel in the Register of National Indemnity, the underwriters on any policy covering the marine and capture risks on such vessel or on the freight thereof shall, if required by the shipowners, where the premium includes any charge for the capture risks under the scheme, return or refund to the shipowners such portion of the said charge as the underwriters, in the reasonable exercise of their judgment, shall deem to be called for by reason of the transfer of such capture risks to the State; and similarly, in the case of any insurances solely to cover capture risks, a return shall be made of such proportion of the premium as the facts may call for.

26. When Indemnification to Commence.

Immediately on passing of the Act and constitution of the fund, the trustees of the fund shall proceed to invite the adhesion of shipowners. A form to be specially provided for the signification of such ad-

hesion, and a period of not exceeding (?) 30 days shall be allowed for the completion and deposit of the said form.

At the expiration of the above-mentioned period the trustees, with, if desirable, the assistance and co-operation of Lloyd's Register of British and Foreign Shipping, shall proceed to compile and publish a register of indemnified vessels. On, and not before, the day of such publication all vessels enrolled in the register shall come under the protection of the scheme. A copy of the register shall simultaneously be forwarded to each of H.M. Colonial and Indian Governors and to all H.M. Consuls, with notice that, so far as concerns cargoes by enrolled vessels on voyages protected under the scheme, such cargoes will come within the protection of the scheme on, and not before (?) 90 days from the date of publication of the register, provided always that such cargoes shall at the expiration of the said (90) days not yet have left their port of loading.

Freights payable on delivery of the cargo to be covered as in the case of the cargo itself. Chartered freights likewise to come within the protection of the scheme at the expiration of the (?) 90 days, provided always that the contract of charter shall not have been made before such expiration.

[*Note.*—As regards vessels, there is no reason why the protection of the scheme should not operate immediately on publication of the register, whether the vessels be in port or at sea. As regards cargoes at sea, they will be already under the protection of marine insurance policies, including capture risks, and these policies will in most cases have passed into the hands of third parties; so that, for greater simplicity, only cargoes not yet at sea should be covered. The same with freights and chartered freights. It will be better that shippers, bankers, and insurance offices abroad should have ample notice of date of commencement, and doubtless 90 days from publication of the register will suffice. For simplicity, one and the same date of commencement should apply, whether the cargo be loaded or to load in U.K. or in an overseas port with U.K. as destination.]

27. Programme of Operation of Scheme on Outbreak of War.

(1) All enrolled vessels will be under protection of the scheme, at all times, in peace or in war.

(2) On outbreak of hostilities the provisions of the Act will already be common knowledge, but Government to call attention to the Act of Proclamation. The proclamation to narrate the risks nationally indemnified and the property comprehended and to remind all parties interested of the protection of the Act and of their obligation, in order to be able to claim the benefits of such protection, to follow strictly the provisions of the Act and any Rules or Regulations now or hereafter to be laid down. The sense of the following explanatory summary of the practical working of the system to be at the same time published as such Rules and Regulations:—

(3) Being in port, or on arriving in port, every vessel to remain there until receipt of instructions from owners. Vessels proceeding without, or contrary to, instructions to do so at their own risk, subject to the discretionary power of the trustees to condone the breach in very exceptional circumstances.

(4) Shipowners to detain their ship in port until receipt of special instructions from the Admiralty through Lloyd's, or of general instructions, covering their case, by public official notice.

(5) In order to inform the Admiralty as to the shipping at the national risk, and as the means of obtaining the Admiralty's instructions for communication to masters, shipowners to obtain from the port authorities (and/or Post Office, (?) price 1d.) a Government form ("Information Form"), to be filled up by shipowners with the full particulars indicated in the form; the form to be filled up and sent in to Lloyd's immediately on outbreak of hostilities. Similarly during the war, whenever a vessel shall have completed her voyage or the section thereof up to that point authorised, a form shall again be sent in to Lloyd's by her owners in order that they may be furnished with new instructions.

(6) A schedule of the Act should comprise a voyage table, classifying all the principal or beaten-track voyages engaged in by British vessels, each category of voyage being identified by its own running number. Odd number for outward voyage, next following even number for homeward voyage, *e.g.*:—

Between—	*Outwards.*	*Homewards.*
South Africa and United Kingdom	21	22
Gulf of Mexico and United Kingdom	23	24

This voyage table to be printed on the back of the information form, and shipowners to mark the form with the number of the voyage in the voyage table. The form to be sent direct to Lloyd's. Lloyd's to separate the forms as they come in, according to voyage number, and place each form on the file of its own voyage number, also indexing the forms under the name of the ship.

(7) Meantime the Admiralty will have decided which of the voyages or categories of voyage on the voyage table are comparatively safe, and will have provided Lloyd's with a list of them. Lloyd's will take first the files of these approved voyages, and will tabulate on an advice sheet (separate sheet for each voyage-category or number) the particulars supplied by the owners' information forms, with a running number to each. Each category of voyage will thus have its own advice sheet, detailing all the ships at that time engaged in that particular voyage. The advice sheet will at once be submitted to the Admiralty for approval as regards the vessels individually. Any vessel not approved to be so marked (*vide* 9, below), and Lloyd's at once to send, in a Government envelope, notice to the owners of all the other vessels on the list, on behalf of the Admiralty, of instructions for the owners' transmission to the master. In the case of some voyages instructions can perhaps be given by general public, and not by special private, notice. The instructions may be a general order to proceed on the voyage, or to proceed to a rendezvous to await convoy or to Plymouth (*e.g.*) or Falmouth to await further orders.

In the case of short-voyage vessels at North Sea or Continental ports, or certain of them, as approved; or at United Kingdom ports of call or loading, other than their home port, able and ready to leave at once to their United Kingdom port of destination, authorisation might be given at once by public announcement permitting such vessels to sail at once or at any time within, say, 36 hours; otherwise to await orders. Any vessel sailing in breach of permit or proclamation to do so at her owner's risk, as regards the ship, and with, of course, the statutory liability as regards the cargo (*vide* "Breach of Obligations by Shipowners," Art. 22).

Immediately on the outbreak of war the task of deciding as to the large number of ships, whether to detain or to allow to proceed, will no doubt be heavy. This is inevitable. The task will, however, be greatly simplified by the co-operation of Lloyd's, for Lloyd's will send in a complete list—or rather series of lists—of the shipping, according to a tabulation of voyage to be approved by the Admiralty in peace and at leisure (*vide* 6, above). When war is imminent the Admiralty can prepare for emergencies by themselves classifying the several categories of voyage under the heads of "Safe," "Dangerous" and "Doubtful." Vessels on "safe" voyages can, *en bloc*, be authorised to proceed, and probably a general order can also be given as regards coastal and certain of the home-trade voyages. The other voyages can then be dealt with on their merits with such despatch as may be possible, and meantime every ship in port remains there. The Admiralty can instruct Lloyd's *en bloc* or in detail, and Lloyd's, clothed with the authority of the Admiralty, will communicate with the various shipowners. The machinery of Lloyd's is admirably adapted to be so used, and the Secretary and Committee, once informed of the requirements, would have no difficulty in arranging to carry them out. There can be no doubt that in any such national matter Lloyd's Committee would be more than ready to assist the State to the utmost of their great ability and power.

(8) Owners receiving instructions will at once communicate them to the master and (if any) agents of the ship at the port at which she is waiting.

(9) It will be for the Admiralty to decide which or what voyages can be immediately approved, and whether all the vessels on the advice sheet relating to an approved voyage can be allowed to proceed. It may possibly in certain cases be found advisable to detain or order to another port sailing vessels, notoriously

slow steamers, or vessels carrying special cargoes. Vessels so detained must await the decision of the Admiralty to be communicated eventually through Lloyd's. Admiralty also to decide whether it shall be necessary for owners of coasting vessels to send in information forms.

(10) In order to expedite the procedure and to lighten the pressure at the first commencement of hostilities, owners might be instructed to mark their information forms either A or B:—

A. For vessels at the time engaged in loading or discharging or at sea for discharging port, and therefore calling for no immediate instructions.

B. For vessels about to leave port or due at a calling port and therefore calling for immediate instructions.

And all information forms marked A could be put on one side till those marked B had been tabulated by Lloyd's on to the advice sheets.

(11) Notice to be given to owners that any undue delay on their part either in completing and sending in the information form or in communicating to their master (and agents, if any) of any vessel any instructions of the Admiralty; and any undue delay on the part of the master in carrying out the instructions sent to him; and generally any breach or disregard of the rules and regulations or orders, whether general or special, or whether communicated to owners by public official notice or specially, will disqualify the vessel from the protection of the fund, but with power to the Admiralty to condone in event of the owners being able to exonerate themselves.

Owners of cargo covered under the fund not to be involved in disqualification of the ship unless themselves parties to the fault or omission of the shipowners.

(12) Notice also to be given that in no case will compensation be given under the fund in respect of any charges or disadvantages incurred or suffered by owners of ships or cargoes in consequence of any delay in or deviation from the vessel's voyage by reason of instructions of the Admiralty under the fund. All such deviation risks would in common practice be covered under the ordinary marine risks policies. ("Deviation held covered at a premium to be arranged." As to the premium, assured and underwriters can be left to come to an agreement on this point between themselves.)

(13) Notice also to be given that in no case will compensation be paid in respect of any loss of or damage to or depreciation of cargo, or of loss of interest or market in respect thereof, by reason either of detention, delay, or deviation.

(14) Notice must make it clear in what cases, if any, and to what extent compensation will be paid to the owners of ships detained for more than 30 days for "demurrage" or loss of wages and provisions, and deprivation of profitable use of the ship during any days in excess of 30 days, in respect of which first 30 days no compensation to be in any case paid; and to indicate the basis on which compensation, if in any cases to be allowed, will be assessed and paid.

28. Working of the Scheme to be Tested in Times of Peace.

To ensure the efficient working of the Scheme on the outbreak of war the Act shall provide that on occasion of naval manœuvres or at such other times as the trustees and Admiralty may elect or determine, the working of the Scheme to be practically tested—that is to say, the Admiralty shall by public notice or otherwise call upon the owners of vessels enrolled to make return, by a day to be fixed, of the position and voyage of such vessels; and the Admiralty, with the co-operation of Lloyd's Committee, shall immediately proceed to classify and consider such return in the same manner as would be required in the event of the outbreak of war, but no instructions shall be given to owners which would involve any actual interference with the progress or voyage of their ships. Any costs or expenses incidental to such testing to be a charge on the Fund. Shipowners failing or delaying to make the return required by the notice to incur a penalty of (?) £20 for each day of default, with liability to suspension or removal from the register.

Final Remark.

In the event of war the Admiralty, acting on behalf of the fund, would be likely to find themselves in the following difficulty: On the one hand, in their proper desire to protect the fund from avoidable claims, they would be inclined to "hold up" vessels as to the risk of capture of which they might feel uncertain; on the other, they would have to face the clamour of owners of ships and cargoes alleging unnecessary detention of their property. Such a position seems unavoidable, but the Admiralty will be able to act according to its impartial judgment, without giving preference to the interests of one side over those of the other.

APPENDIX VI.

MEMORANDUM by Mr. FREDERIC BOLTON (late Chairman of Lloyd's, Underwriter, Broker, and Shipowner).

(*See* Evidence, Qs. 2662–2970.)

I am of opinion that a scheme of national indemnity is desirable in the interests of the whole nation; but, whether desirable or not, the Government, in time of war, would probably be forced, sooner or later, to provide some such protection.* It is wise, therefore, that a scheme should be formulated, so as to meet the difficulties consequent on the outbreak of war; and, indeed, unless such a scheme is framed and in working order, the Government of the day might have to face a most serious situation consequent on the shortage of supplies of foodstuffs and raw material.

To secure the full benefits of national indemnity it is necessary that a scheme should provide:—

(*a*) The least possible dislocation and disturbance of commerce and industry.

(*b*) As complete protection as that afforded by the organisation which it replaces.

(*c*) A method simple in form and free from complication.

(*d*) A Board of Administration possessing unfettered control, and commanding confidence both in the ability of its management, and in prompt settlement of claims.

In my judgment, Scheme A does not provide adequately for these requirements. It might, however, be developed on the following lines:—

SCHEME A.	SUGGESTIONS.
Scheme for a National Indemnity (without payment of premium).	
1.—*Persons entitled to claim Indemnity.*	1.—Persons entitled to claim Indemnity.
(*a*) The owner of any ship registered in the United Kingdom.	*The owners of all ships under the British Flag, and the owners of cargoes carried in such ships.*
(*b*) The owner of any cargo liable to capture carried in such ship.	This would be an effective notice to all other nations that we, as an Empire, were prepared to assume the consequences of interference with our maritime trade. Any minor advantages gained by restricting the benefits of the scheme to the United Kingdom would be more than neutralised by the bad effects of limiting the protection. If the benefits afforded by the scheme are restricted to "Cargo liable to capture," the usefulness of the scheme is seriously imperilled. We have no right to assume that any nation, in the event of war, would comply with the obligations of any treaties or similar restraints. It is our duty to make our arrangements on the assumption that an enemy would take every advantage, and we have high authority for believing that this would probably be the case.†
2.—*Losses to be covered by Indemnity.*	2.—The protection given should be defined as follows:—
Capture, seizure, and detention by the King's enemies, and the consequences thereof or of any attempt thereat, and all consequences of hostilities or warlike operations by or on the part of the King's enemies, whether before or after the declaration of war, as ordinarily covered by an English policy.	*Against those risks which are, or would be, excluded from an ordinary English policy of Marine Insurance by the Clause: "Warranted free of capture, seizure, and detention, and the consequences thereof, or of any attempt thereat, piracy excepted, and also from all consequences of hostilities or warlike operations, whether before or after declaration of war."* In order to avoid difficult questions of responsibility which might arise if there were two documents, each dealing with specific risks, the document of indemnity should be so drafted as to be complementary to the Policy of Insurance.
(N.B.—It is not intended that losses through delay or diversion of route in consequence of Admiralty instructions issued under 3 should be covered by this clause. But it would be necessary to use words which would cover any loss sustained in the improbable contingency of the ship or cargo being prevented by such instructions from reaching the country of destination.)	(N.B.—There should be no such qualification. The protection should be clearly stated to be against the definite risks excluded from the ordinary insurance by specific words, whatever this may involve.)

* In this connection it is important to bear in mind the indemnity and security which the Russian Government gave in the course of the late war.

† Bismarck, "Reflections and Reminiscences":—

Vol. II., p. 270.—All contracts between Great States cease to be unconditionally binding as soon as they are tested by the "struggle for existence." No great nation will ever be induced to sacrifice its existence on the altar of fidelity to contract when it is compelled to choose between the two. The maxim "ultra posse nemo obligatur" holds good in spite of all treaty formalities whatever.

P. 280.—International policy is a fluid element which under certain conditions will solidify, but on a change of atmosphere reverts to its original diffuse conditions. The clause "rebus sic stantibus" is tacitly understood in all treaties which include performance.

Douglas Owen, "Declaration of War," pp. 248, 249.

3.—*Conditions to be complied with in order to secure indemnity.*

In the event of war the shipowner shall notify to the prescribed Department, at such time as may be directed before the commencement of the voyage, his intention to sail; and shall furnish such particulars as may be required; and shall comply with any directions issued by the Admiralty with regard to the date of sailing, the route, and the navigation of the ship.

(*N.B.*—Special provision would be made to cover the case of ships already at sea on the outbreak of hostilities.)

3.—No such conditions, such as are here suggested, are necessary, except as defined in Par. 4 (*N.B.*).

4.—*Value on which Indemnity shall be claimed.*

(*a*) The value of the ship at the time of capture.

(*b*) The value of the cargo at port of shipment plus insurance and freight to port of destination.

4.—The basis of value should be settled in the scheme, and there is no serious difficulty in defining it. Any reasonable basis would be satisfactory, if stated before the scheme came into operation. For instance, shipping might be taken at the original cost to the existing owner, less a certain percentage per annum for depreciation, calculated on the original cost of the ship. No transfer to fresh ownership within a given time previous to outbreak of war should be recognised.

Cargo might be valued in several ways, such as invoice cost, freight and marine insurance, plus per cent. profit, or at market price at the port of origin, or port of destination, at the day of capture.

A particular method is not important, so long as a basis is decided before the inception of the risks.

The scheme should work automatically as regards value. There should be no occasion for discussion after the event.

(*N.B.*—It is to be observed that the obligation to notify the prescribed Department and to comply with the Admiralty instructions is imposed on the shipowner only, since he alone controls the vessel. It is for consideration whether or not the owners of the cargo should lose their right to the indemnity if, in spite of their instructions on shipping the goods, the shipowner fails to comply with the conditions laid down under 3.)

(*N.B.*—Compliance with instructions given by any duly authorised representative of the Government, as distinct from advice or information, should be compulsory.

Non-compliance should not vitiate the rights of innocent parties, but should render the offender liable to heavy penalties.)

5.—*Settlement of Claims.*

(*a*) Claims to be settled by a Board of not less than five members, to be selected from time to time by the prescribed Department from a list of persons willing to serve.

(*b*) The decision of the Board to be final as to the validity and amount of the claims.

(*c*) Claims to be paid by the Treasury forthwith on certificates issued by the Board.

5.—(*a*) The constitution of the Board of Administration would be a matter of considerable difficulty. It is not a question of willingness to serve, but of ability and qualifications to do so. I have no doubt a satisfactory arrangement could be made, but I wish to point out that this is probably the most difficult detail of the scheme, and one which requires great care in settlement.

(*b*) I do not agree with Sub-clause (*b*). This provision would largely destroy the value of the scheme. The rights of beneficiaries should be clearly stated to be similar to those which they would possess under an ordinary contract of insurance. It should be agreed that all special Crown privileges would be waived.

(*c*) This would be a satisfactory arrangement.

FURTHER REQUIREMENTS.

6.—Payment of any loss under the scheme should involve transference of all the rights of which the beneficiary may be possessed in respect of the property dealt with.

7.—The indemnity on cargo to commence on shipment, and to cease on delivery ex ship.

8.—The scheme should be developed and made public at an early date—if possible, in a time of profound peace.

If some such scheme could be matured and made effective, the advantages to the nation are so obvious and so important, that the disadvantages appear to be relatively of small account. Some of the advantages would be:

(*a*) The Government would be relieved of unreasonable and undesirable pressure, and would be left free to deal with the facts of the war in the way they considered to the best interests of the nation.

(*b*) Prices would be kept at a more normal level.

(*c*) Continuity of supply both of foodstuffs and raw materials would as far as possible be maintained. A break in continuity would otherwise be a probable result of the losses in the early period of the war. Any such contingency would cause terrible distress to the masses of our population, possibly with disastrous results.

A consequence of early losses in the war might be, that war risks would become uninsurable. In that case, ships not already protected would be stopped at the first place of safety they might reach, and would

remain there until some arrangement of protection could be made, or prices rose to such a level as to tempt the owners to proceed uninsured.

(*d*) The loss suffered by the community through destruction of property at sea in time of war would be better distributed. Under the present system of insurance this loss is divided per head of the section of the population requiring the description of the property destroyed; but if this loss were dealt with through the medium of taxation, a much more equitable distribution of the burden could be made.

(*e*) The continued employment, as far as possible, of our mercantile marine. The advantages thus involved are very considerable; they are both direct and indirect; they are not limited to any particular class or classes; they apply to the whole nation.

Any interference with the full working of our mercantile marine involves a serious dislocation of industry. A number of men unfitted for any form of skilled work on shore would be thrown out of employment; a consequent and undesirable addition to the numbers of the unemployed and to the strain on the resources of the country, especially at such a time.

(*f*) Discrimination against the British flag in favour of neutrals would be prevented; in fact, there would be distinct inducements to use our shipping.

(*g*) All temptation to transfer our ships to neutral flags would be removed, and although I do not attach, in any case, much importance to this point, it is as well that the temptation should not be present.

These considerations are important, but those stated under (*c*) need special attention. The strain put on the masses of the population would be unbearable. The pressure on the Government would have to be met. At the best, hurried measures would have to be taken to meet the emergency, at a cost which would certainly involve the country in a loss far greater than could be caused by any scheme of indemnity such as suggested. At the worst, conclusion of the war might be forced on us through internal disturbances, and not through any defeat of our armed forces.*

It is quite true that leading authorities, both British and foreign, agree that commerce destruction is not the best use to make of naval power, but this is not necessarily an answer to the problem that has to be solved.

Foreign Intelligence Departments are ably conducted. They have all the facts of our problems before them. They have at their disposal men who, having spent years in this country, are familiar with our social and political conditions. It is quite conceivable that an enemy might consider it wise to risk the loss of the greater part of a fleet if by so doing there was a reasonable prospect of forcing an early termination of the war on terms favourable to themselves.

A memorandum is attached in which an endeavour is made to show a method whereby an opinion can be formed of the cost and the loss to the nation under the scheme suggested.

MEMORANDUM.

The sea-going vessels of over 100 gross tons in existence on 30th June, 1906,† were:—

19,449 steamers of 18,657,489 net registered tons.

10,166 sailing vessels of 5,686,724 net registered tons.

The steamers and ships of the following countries are not likely to interest us to a material extent in any European war in which we may be engaged:—

	Steamers.		Sailing Vessels.	
	No.	Net Reg. Tons.	No.	Net Reg. Tons.
British Colonies	1,178	567,671	825	269,908
America (U.S.)	1,063	944,482	2,048	1,291,444
Argentina	148	57,585	101	27,861
Brazil	266	103,179	90	23,569
Chile	66	52,533	60	41,444
China	47	40,683	1	793
Cuba	48	34,589	11	2,174
Hayti	7	2,498	—	—
Honduras	8	11,668	—	—
Japan	775	632,475	7	3,540
Mexico	39	13,709	20	4,347
Montenegro	—	—	23	5,704
Peru	8	6,353	33	11,016
Sarawak	5	2,306	—	—
Siam	4	1,110	—	—
Turkey	125	55,527	221	68,033
Uruguay	26	17,708	40	22,340
Venezuela	10	2 294	9	1,282
Costa Rica, Ecuador, and Small States	41	13,020	25	8,003
Total	3,864	2,559,390	3,514	1,781,458

Deducting these, there remain:—

15,585 steamers of 16,098,099 net registered tons.

6,652 sailing ships of 3,905,266 net registered tons.

Of these:—

8,083 steamers (51·9 per cent.) of 9,320,576 net registered tons (57·9 per cent.).

1,325 sailing vessels (19·9 per cent.) of 1,174,440 net registered tons (30 per cent.).

re registered in the United Kingdom.

In 1905, our imports‡ required voyages equivalent o:—

41,092 steamers of 37,600,207 net registered tons.

8,375 sailing vessels of 2,396,519 net registered tons.

Of these:—

25,632 steamers (62·4 per cent.) of 27,434,769 net registered tons (73 per cent.).

2,459 sailing vessels (29·4 per cent.) of 560,106 net registered tons (23·4 per cent.).

were under the British flag.

Our exports‡ required voyages equivalent to:—

49,473 steamers of 47,523,196 net registered tons.

7,270 sailing vessels of 2,099,927 net registered tons.

* The late M. Katkoff openly decried British influence in the Near Eastern problems of 1885–6, on the ground that he nation could not run the risk of probable interference with supplies of food and raw material consequent on outbreak f naval war.

† "Lloyd's Register of British and Foreign Shipping," 1906–7. Appendix, Stat'stical Table I.

‡ Board of Trade Annual Statement of the Navigation and Shipping of the United Kingdom for 1905.

Of these :

29,086 teamers (58·8 per cent.) of 32,181,733 net registered tons (67·7 per cent.).

1,991 sailing vessels (27·4 per cent.) of 580,726 net registered tons (27·7 per cent.).

were under the British flag.

The total trade*, import and export, required the equivalent of :—

90,565 steamers of 85,123,403 net registered tons.

15,646 sailing vessels of 4,496,446 net registered tons.

Of these :

54,718 steamers (60·4 per cent.) of 59,616,502 net registered tons (70 per cent.).

4,450 sailing vessels (28·4 per cent.) of 1,140,832 net registered tons (25·4 per cent.).

were under the British flag.

The weekly average of trade required the equivalent of :—

2,042 vessels of 1,723,459 net registered tons.

Of these :

1,138 vessels (55·7 per cent.) of 1,168,411 net registered tons (67·8 per cent.).

were under the British flag.

Separating steamers and sailing vessels, the results are :—

1,741 steamers of 1,636,987 net registered tons.

300 sailing vessels of 86,470 net registered tons.

Of these :

1,052 steamers (60·4 per cent.) of 1,146,470 net registered tons (70 per cent.).

85 sailing vessels (28·3 per cent.) of 21,939 net registered tons (25·4 per cent.).

were under the British flag.

In 1905 our imports† of goods and merchandise were valued at £565,019,917, and our exports† at £407,596,527, together £972,616,444, an average per week of £18,704,162.

The imports† of gold, bullion, etc., were £51,559,909, and the exports† were £45,391,519, together £96,951,428, an average per week of £1,864,451.

No estimate of the value of the mails is included.

The weekly average value of imports and exports of goods, merchandise, gold, bullion, etc., amounts to £20,568,613, and the British net registered tonnage employed to move these commodities is 67·8 per cent. of the total. There will, therefore, on an average, be at risk each week entering and leaving our ports under the British flag :—

£13,945,519 value of goods, merchandise, gold, bullion, etc.

13,757,640 value of steamers‡ at £12 per net registered ton.

131,634 value of sailing vessels at £6 per net registered ton.

£27,834,793.

1. The United Kingdom has two principal coasts, the East and the West, and one secondary coast, the South, of ingress and egress. It is assumed that 50 per cent. of our trade will not need to traverse the danger zones ; and after study of the report of the 1906 naval manœvres, it is further assumed that we shall suffer two full weeks of the maximum rate of capture, before we gain complete mastery of the seas. From the same report, it is apparent that the percentage of captures during the manœuvres was misleading, and the rate is therefore taken at 25 per cent. as being more likely to be correct. The captures in the second week should be fewer, but there will be isolated captures later, and we may suffer some loss in more distant seas. It seems reasonable, therefore, to allow for two weeks at full rate of loss.

Two weeks at 50 per cent. equals the original total of £27,834,793, and 25 per cent. of this amount is £6,958,698, which, on the basis of the foregoing calculations, should be the amount of loss of our British trade we might expect to suffer from capture.

2. British steamers and their cargoes bound to Continental destinations must also be brought into consideration. It is more difficult to make any estimate of the values to be included on this account ; but, after examination of such statistics as are available, and the following considerations, viz. :—

(a) That 57·9 per cent. of the steam tonnage brought into calculation is under the British flag ;

(b) That 32 per cent. of British trade is in foreign vessels ;

(c) That Continental destinations would involve a larger percentage of passings through danger zones ;

(d) That a very large percentage of this trade to Continental destinations is in cargo steamers, and not in liners ;

(e) That the voyages from Continental ports would be to near British ports ;

I am of opinion that 30 per cent. of the total of £6,958,698, or £2,087,609, may be assumed as the value of British steamers and their cargoes bound to Continental destinations and lost by capture.

3. If no days of grace were allowed, there might be, on declaration of war, about forty steamers in an enemy's ports. The value of these steamers and of any cargo on board, which should average under 50 per cent. of their capacity, may be taken as £1,500,000.

On the basis of the foregoing calculations, it might be expected that the payments for direct losses‖ under a full scheme of indemnity would amount to :—

(1) £6,958,698 for British trade in British vessels.

(2) 2,087,609 for foreign trade in British vessels.

(3) 1,500,000 for British steamers and their cargoes in foreign ports.

£10,546,307

It is obvious that this amount of £10,546,307 is not the loss to the nation attributable to a scheme of indemnity. Allowing that 65 per cent. only of the cargoes included under (1) belong to British owners, and that the whole of the cargoes bound to, and captured in, foreign ports are foreign owned, the amount of the absolute loss that would fall on the nation, whatever system of insurance or indemnity might be adopted, would be £7,780,160. This would leave an amount of £2,766,147 to represent the apparent additional loss occasioned by a full scheme of indemnity ; but this amount would be reduced, if it did not entirely disappear, through the indirect results of such a scheme.

It has been assumed that no regard would be paid to obligations under any treaties or conventions.

The whole of these calculations are open to criticism at many points. There is no doubt the averages applied to a period of two weeks may be most deceptive, and the actual result might be considerably above or below the figures given. It is not improbable, however, that the deductions and additions shown by a close analysis to be necessary would, to a large extent, neutralise each other.

This is only an effort to arrive at a basis for consideration, as it appears useless to discuss theories unless at the same time some estimates can be made of practical results.

* Board of Trade Annual Statement of Navigation and Shipping of the United Kingdom for 1905.

† Customs Annual Statement of the Trade of the United Kingdom with Foreign Countries and British Possessions, 1905, Vol. I.

‡ Report of the Royal Commission on Supply of Food and Raw Materials in Time of War.

‖ There might be some claims for indirect losses, but these are not likely to amount to any sum which would materially affect these figures.

JUSTIFICATION OF ESTIMATE OF 30 PER CENT.

(*Memorandum, page 352.*)

In 1905, the British vessels entering ports in the United Kingdom *in ballast*, coasting voyages excluded were :—

8,094 vessels of 7,205,994 net registered tons.*

Of these :—

7,789 vessels of 7,092,119 net registered tons were steamers.

305 vessels of 113,875 net registered tons were sailing ships.

From these must be deducted vessels coming from countries which can have no connection with homeward cargoes to the Continent, and these are :—

	No.	Net Reg. Tons.	Steamers.		Sailing Ships.	
			No.	Net. Reg. Tons.	No.	Net. Reg. Tons.
Iceland and Greenland	58 of	4,455	56 of	4,270	2 of	185
Algeria	2	3,458	2	3,458	—	—
Port : East Africa	1	464	—	—	1	464
Italy	10	19,730	10	19,730	—	—
Canary Islands	6	20,922	6	20,922	—	—
Austro-Hungary	2	4,984	2	4,984	—	—
Greece	3	4,338	2	4,201	1	137
Egypt	3	7,278	3	7,278	—	—
Japan	1	2,476	1	2,476	—	—
U. S. (Atlantic)	13	84,775	12	82,904	1	1,871
Brazils	1	33	1	33	—	—
Argentina	1	2,873	1	2,873	—	—
Channel Islands	111	22,183	81	20,414	30	1,769
Gibraltar	8	21,568	8	21,568	—	—
Malta	9	12,628	9	12,628	—	—
Natal	1	1,938	1	1,938	—	—
Bombay	13	52,582	13	52,582	—	—
Ceylon	1	2,489	1	2,489	—	—
British West Indies	2	3,636	1	2,109	1	1,527
Deep Sea Fisheries	117	6,806	117	6,806	—	—
Total	363	279,616	327	273,663	36	5,953

The remainder, with percentage of the corresponding items of the Import Trade of the United Kingdom, will be :—

7,731 vessels (27·5 per cent.) of 6,926,378 net registered tons (24·7 per cent.).

Of these :—

7,462 vessels (29·1 per cent.) of 6,818,456 net registered tons (24·8 per cent.) are steamers, and

269 vessels (10·9 per cent.) of 107,922 net registered tons (19·3 per cent.) sailing vessels.

The reasonable presumption is that these 7,731 vessels have entered our ports in ballast after discharging their cargoes on the Continent, except as regards certain vessels engaged in the short trades, which more or less regularly take cargoes of coal and pig-iron to the Continent, generally returning in ballast.

The amount of £6,958,698 given on page 352 is composed as follows :—

Imports.		Exports.	
£2,022,100	...	£1,464,280	value of goods, merchandise, etc.
1,582,128	...	1,857,282	value of steamers.
6,910	...	25,998	value of ships.

The import figures only are applicable to this consideration.

Allowance of 4·7 per cent. is made for short voyage trades mentioned above.

Continental destinations will be exposed to greater risks of capture, on account both of greater necessity of passing through the danger zones and of there being only one coastline ; therefore for these voyages the rate of capture is doubled.

There are also the risks of vessels shifting in ballast from Continental to United Kingdom ports. These should be taken at the full percentage of 24·7 per cent., and at single rate of capture risk.

The result will be :—

£808,840 value of goods, merchandise, etc., to Continental destinations.

635,614 value of steamers and ships to Continental destinations.

392,441 value of steamers and ships shifting ports.

£1,836,895

In addition there will be the values of vessels loaded outward from Continental ports and their cargoes.

Taking everything into consideration, the allowance of 30 per cent. on page 352 is considered reasonable.

SCHEME B.

Clauses 1 and 2 are dealt with under Scheme A.

Clause 3.

(*a*) Apparently it is intended that the State policies shall be issued in time of peace.

In practice this would probably mean that the scheme would remain a dead letter until there was serious apprehension of war. It is evident from the note at the end of the clause that the rates are not intended to be merely nominal ; and it cannot reasonably be supposed that ship and cargo owners would be willing to carry, for an indefinite time, the burden of an annual charge, in order to protect themselves against the results of an event which might, or might not, happen in the future, and with practical certainty would not happen in the lifetime of many of them.

No indication is given of the system on which the premiums are to be fixed, and this is such an important element in the consideration, that without definite information on the point it is impossible to fully discuss the scheme.

On the general aspect, however, it appears to me that it is undesirable to attempt to develop such a scheme. The necessary condition of equity is absent. Whatever levels of premiums might

* Board of Trade Annual Statement of the Navigation and Shipping of the United Kingdom for 1905. Table II

be fixed, such a scheme would only exist to be exploited by those entitled to insure in such ways as would best suit their own interests.

(*b*) The conditions, unless made compulsory, would be impossible. It is not likely that any shipowner would thus add to the responsibilities and hazards of his business.

N.B.—1 and 2 are better dealt with under Scheme A.

3. The loss to the State is not altered by the fact of premiums being paid. The actual loss of property destroyed has to be borne by the community whether it falls primarily on the individual, or is distributed by any system of insurance or indemnity.*

4. (*a*) Alternative.

This would probably only increase the difficulties of the scheme.

As a practical matter, I do not think such a scheme is feasible. Apart from any other objection, I think it would be found that the difficulties of organisation and management would effectually prevent any possibilities of success.

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* 43 Elizabeth, c. 12 (1601). By means of which Policies of Assurance it cometh to pass upon the Loss or perishing of any ship, there followeth not the undoing of any man, but the Loss lighteth rather easily upon many than heavily upon few, and rather upon them that adventure not than those that do adventure whereby all Merchants, especially of the younger Sort, are allured to venture more willingly and more freely.
Ency. Britt. "Insurance."

APPENDIX VII.

MEMORANDUM by Sir ROBERT GIFFEN on the cost of a National Indemnity.

(*See* Evidence Qs. 2971–3129.)

1. In 1879 I gave evidence before the Colonial Defence Commission as to the magnitude of British trade and shipping interests that would be affected by a maritime war, and I propose to begin now with a similar statement for the present time.

2. The value of British trade and shipping exposed to risk of capture in one year may be put at not less than 2,000 millions. The items are:—

1. Imports and Exports (1906):—		
(*a*) Imports	Million £. 608	
(*b*) Exports	461	
		1,069
2. Transhipment trade (1905):—		
(*a*) Imports	14.3	
(*b*) Exports	14.3	
		29

3. Bullion and specie (1906):—

	Gold.	Silver.	Total.	
Imports	46	17	63	
Exports	43	19	62	
	89	36	125	
				125

4. Coasting trade:—	
Imports and exports (estimated)	100
5. Produce of sea fisheries of the United Kingdom	12
6. Diamonds (not included in imports and exports), say	10
Total trade	1,345

7. Value of ships belonging to United Kingdom (1905):—		
(*a*) Steamers nine million tons valued at £20 per ton	£180	
(*b*) Sailing ships 1.6 million tons at £7 10s. per ton	12	
(*c*) Bunker coal and provisions	20	
		212
8. Values of cargoes in British ships trading between foreign countries or between foreign countries and British possessions, say		600
Total		2,157

3. The figures would have been rather larger if it had been possible to get them throughout for the whole year, 1906.

4. With regard to the coasting trade (item No. 4), although there are no official figures of imports and exports *eo nomine*, there is known to be a large amount of trade between Ireland and Great Britain, which cannot be less, I believe, than £50,000,000 annually; there is also a vast trade in coal by sea between different parts of the United Kingdom, 22,000,000 tons being shipped coastwise; and there is equally known to be large distribution of tea, sugar, and other articles by coasting steamers from London. Coasting business also between Liverpool and Glasgow, Liverpool and South Wales, and so on. Estimate of £100,000,000 probably much under the mark.

5. In the item numbered 7 (value of ships) the subitem (*c*), for bunker coal and provisions, appears to be justified as a proper addition to the value of the ships, whatever may be the exact figure put upon it. It is the constant practice of shipowners, I understand, to insure freight, which is justified by the fact of actual outlay incurred in earning the freight. Nearly 20,000,000 tons bunker coals annually put on board in English ports alone.

6. As to the last item of all—value of cargoes in British ships between foreign countries, or between foreign countries and British possessions, the value of the whole carrying trade of the world, exclusive of that to and from the United Kingdom, is of course a conjecture, but the figure must be very large, so large a part of the foreign trade in question being known to be conveyed in British ships, and on account of British merchants. The return "Progress of British Merchant Shipping" contains tables showing how large a part of the business of importing and exporting of the principal foreign countries is done by British shipping. This, of course, includes the trade of those countries with the United Kingdom, which has been already dealt with; but no country trades with the United Kingdom exclusively, and British ships are employed indiscriminately in all trades.

7. The statement is also liable to the observation that a portion of our own imports and exports is conveyed in foreign ships. The proportions of shipping are:—Total entries of ships 56,000,000 tons; British 35,000,000 tons or 63 per cent.; foreign 2,000,000 tons or 37 per cent.; whether the trade itself is British and foreign in the same proportions may be doubted, but some correction might have to be made in an exact account.

It is a thing to keep in mind, though there can be no exact figures. An exactly proportionate correction would reduce the above £1,345,000,000 to £850,000,000 or thereabouts. I assume in any case the correction is much more than set off by the trade between foreign countries, and as between foreign countries and British possessions carried on in British ships. (Item 8.)

8. Foreign countries are, of course, interested in keeping the trade going as well as the United Kingdom. They will all lose by stoppage. But we must look at the matter from our point of view.

9. The figures are all for a year. If a shorter period were to be taken—say, three months—the trade figures would be reduced. If three months, they would be a fourth of those stated. But the shipping figures would remain the same. The aggregate for three months might still come to about £600,000,000 to £700,000,000.

10. To give a universal indemnity against capture if the figures are at all near the mark, would mean that 1 per cent. of captures in a year would run to an indemnity of £20,000,000, 2 per cent. £40,000,000, 5 per cent. £100,000,000, and so on. Even ½ per cent. of captures would be £10,000,000. In three months or other short periods, the figures must still be large. One per cent. of captures in three months would be £6,000,000, 2 per cent. £12,000,000, 5 per cent. £30,000,000. All large figures. Even a small charge for insurance, if quite general, would be a considerable sum.

INTERIM REPORT

OF THE

ROYAL COMMISSION ON WHISKEY AND OTHER POTABLE SPIRITS.

Presented to both Houses of Parliament by Command of His Majesty.

LONDON:
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1908.

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EDWARD, *R. & I.*

EDWARD THE SEVENTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, to—

Our right trusty and well-beloved Councillor Henry, Baron James of Hereford, Knight Grand Cross of Our Royal Victorian Order; and

Our trusty and well-beloved—

Laurence Nunns Guillemard, Esquire, Companion of Our Most Honourable Order of the Bath, Deputy Chairman of the Board of Inland Revenue;

Walter Ernest Adeney, Esquire, Doctor of Science, Fellow of the Chemical Society;

John Rose Bradford, Esquire, Doctor of Medicine, Doctor of Science, Fellow of the Royal Society;

Horace Tabberer Brown, Esquire, Doctor of Laws, Fellow of the Royal Society;

George Seaton Buchanan, Esquire, Doctor of Medicine, Inspector of Foods to the Local Government Board of England;

John Young Buchanan, Esquire, Master of Arts, Fellow of the Royal Society; and

Arthur Robertson Cushny, Esquire, Doctor of Medicine, Master in Surgery, Fellow of the Royal Society; Greeting!

Whereas We have deemed it expedient that a Commission should forthwith issue to inquire and report:—

1. Whether, in the general interest of the consumer, or in the interest of the public health, or otherwise, it is desirable—

(*a*) To place restrictions upon the materials or the processes which may be used in the manufacture or preparation in the United Kingdom of Scotch Whiskey, Irish Whiskey, or any spirit to which the term whiskey may be applied as a trade description;

(*b*) To require declarations to be made as to the materials, processes of manufacture or preparation, or age of any such spirit;

(*c*) To require a minimum period during which any such spirit should be matured in bond; and

(*d*) To extend any requirements of the kind mentioned in the two subdivisions immediately preceding to any such spirit imported into the United Kingdom.

2. By what means, if it be found desirable that any such restrictions, declarations or period should be prescribed, a uniform practice in this respect may be satisfactorily secured:

and to make the like inquiry and report as regards other kinds of potable spirits which are manufactured in or imported into the United Kingdom.

Now know you that We, reposing great trust and confidence in your knowledge and ability, have authorized and appointed, and do by these Presents authorize and appoint you, the said Henry, Baron James of Hereford (Chairman); Laurence Nunns Guillemard; Walter Ernest Adeney; John Rose Bradford; Horace Tabberer Brown; George Seaton Buchanan; John Young Buchanan; and Arthur Robertson Cushny, to be Our Commissioners for the purposes of the said inquiry.

And for the better effecting the purposes of this Our Commission, We do by these Presents give and grant unto you, or any three or more of you, full power to call before you such persons as you shall judge likely to afford you any information upon the subject of this Our Commission; to call for information in writing; and also to call for, have access to and examine all such books, documents, registers and records as may afford you the fullest information on the subject, and to inquire of and concerning the premises by all other lawful ways and means whatsoever.

And We do by these Presents authorize and empower you, or any of you, to visit and personally inspect such places as you may deem it expedient so to inspect for the more effectual carrying out of the purposes aforesaid, and to employ such persons as you may think fit to assist you in conducting any inquiry which you may hold.

And We do by these Presents will and ordain that this Our Commission shall continue in full force and virtue, and that you, Our said Commissioners, or any three or more of you, may from time to time proceed in the execution thereof, and of every matter and thing therein contained, although the same be not continued from time to time by adjournment.

And We do further ordain that you, or any three or more of you, have liberty to report your proceedings under this Our Commission from time to time if you shall judge it expedient so to do.

And Our further will and pleasure is that you do, with as little delay as possible, report to Us, under your hands and seals, or under the hands and seals of any three or more of you, your opinion upon the matters herein submitted for your consideration.

And for the purpose of aiding you in your inquiries We hereby appoint Our trusty and well-beloved AUBREY VERE SYMONDS, Esquire, of the Local Government Board, to be Secretary to this Our Commission.

Given at Our Court at *St. James's*, the seventeenth day of February, one thousand nine hundred and eight, in the eighth year of Our Reign.

By His Majesty's Command.

H. J. GLADSTONE.

2,500.—Wt. T.L. 83. 7/08. J. T. & S.

ROYAL COMMISSION ON WHISKEY AND OTHER POTABLE SPIRITS.

INTERIM REPORT.

TO THE KING'S MOST EXCELLENT MAJESTY.

May it Please Your Majesty,

We, the Commissioners appointed by Your Majesty on the 17th of February, 1908, to inquire and report:

I. Whether, in the general interest of the consumer, or in the interest of the public health, or otherwise, it is desirable—

(*a*) To place restrictions upon the materials or the processes which may be used in the manufacture or preparation in the United Kingdom of Scotch Whiskey, Irish Whiskey, or any spirit to which the term whiskey may be applied as a trade description;

(*b*) To require declarations to be made as to the materials, processes of manufacture or preparation, or age of any such spirit;

(*c*) To require a minimum period during which any such spirit should be matured in bond; and

(*d*) To extend any requirements of the kind mentioned in the two sub-divisions immediately preceding to any such spirit imported into the United Kingdom:

availing ourselves of Your Majesty's permission to report our proceedings to Your Majesty from time to time if we should think it expedient to do so, desire to submit to Your Majesty the following preliminary Report.

We have held 22 sittings and examined 74 witnesses. Certain of the Commissioners have visited distilleries in Scotland and Ireland, and have thereby obtained much valuable information.

Whilst the labours of the Commissioners are by no means terminated, we have arrived at certain conclusions, which we now humbly submit to Your Majesty as follows:—

1. That no restrictions should be placed upon the processes of, or apparatus used in, the distillation of any spirit to which the term "whiskey" may be applied as a trade description.

2. That the term "whiskey" having been recognised in the past as applicable to a potable spirit manufactured from (1) malt, or (2) malt and unmalted barley or other cereals, the application of the term "whiskey" should not be denied to the product manufactured from such materials.

We reserve for further consideration the question of the advisability or otherwise of attaching special significance to particular designations such as "Scotch Whiskey," "Irish Whiskey," "Grain Whiskey," and "Malt Whiskey;" of placing restrictions upon the use of such designations as trade descriptions; or of requiring such designations to be used in connection with the sale of whiskey.

We ask Your Majesty's permission to postpone stating in full the grounds upon which we have arrived at the above conclusions until we submit our final Report upon all the matters referred to us.

We also submit to Your Majesty the Minutes of Evidence given before us.

We think that the immediate publication of this Report is desirable.

All of which we most humbly submit to Your Majesty's most gracious consideration.

(Signed) JAMES OF HEREFORD, *Chairman.*
L. N. GUILLEMARD.
W. E. ADENEY.
J. R. BRADFORD.
HORACE T. BROWN.
G. S. BUCHANAN.
J. Y. BUCHANAN.
ARTHUR R. CUSHNY.

AUBREY V. SYMONDS, *Secretary.*

24*th June*, 1908.

ROYAL COMMISSION ON WHISKEY AND OTHER POTABLE SPIRITS.

MINUTES OF EVIDENCE

TAKEN BY THE

ROYAL COMMISSION

ON

WHISKEY AND OTHER POTABLE SPIRITS

WITH

APPENDICES.

VOLUME I.

Presented to both Houses of Parliament by Command of His Majesty.

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ROYAL COMMISSION ON WHISKEY AND OTHER POTABLE SPIRITS.

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MINUTES OF EVIDENCE

TAKEN BEFORE

THE ROYAL COMMISSION ON WHISKEY AND OTHER POTABLE SPIRITS.

FIRST DAY,

Monday, 2nd March, 1908,

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. ARTHUR JOHN TEDDER, called.

Mr. A. J. Tedder.

2 March 1908.

1. (*Mr. Guillemard.*) What is your position in the Excise Service?—Chief Inspector of Excise.

2. You have had a considerable length of service I believe?—Thirty-six years.

3. Perhaps I had better explain to you the sort of evidence the Commission wish to hear from you to-day. It is what I may call explanatory evidence. Our reference covers the case of all potable spirits, and we have called you before us so as to know as a preliminary step what the different spirits are, what materials they are made from, what are the processes of manufacture, and then, taking the finished product, what is the supervision that is exercised by the Excise from the manufacturer on the way to the consumer.—I quite understand.

4. The Commission do not propose in examining you to-day to put any questions on the subject of public health, or from the point of view of the consumer getting exactly what he wants. Of course the Excise are not primarily concerned with those two questions. No doubt questions will be asked later about them, but they will come more suitably later on when more evidence has been heard. Could you tell us what your experience of distillery operations has been? I know it has been extensive?—I have been in close touch with distilleries for the past thirty years. At the present time, as you know, I am the principal adviser to the Commissioners of Inland Revenue on distillery questions.

5. Now we come to the different sorts of spirits. I think it would be most convenient if you would start by giving a definition of what British spirits are?—British spirits are spirits liable to a duty of Excise; that is to say, all spirits made in this country.

6. Simply regarded as spirit?—Yes.

7. The object of the Excise being to levy so much revenue on so much spirit and nothing else?—Exactly.

8. Could you give a definition of plain spirits?—Plain spirits means any British spirits which have not had any flavours communicated thereto or ingredient or material mixed therewith.

9. Will you give a definition of British compounds?—British compounds means spirits altered in character in re-distillation or which have had any flavours communicated thereto or ingredient or material mixed therewith.

10. How would you define spirit at proof strength?—The strength of proof is that as ascertained by Sykes' hydrometer. It is defined in the Spirits (Strength Ascertainment) Act of 1818 as "spirit which at a temperature of 51° F. weighs exactly twelve-thirteenth parts of an equal bulk of distilled water." Practically it is a mixture of almost equal parts of absolute alcohol and water.

11. What is the rate of duty on British spirits?—11s. per proof gallon.

12. Perhaps you can give us some figures as to the amount of net duty received on British spirits for the last year for which you have available figures. No doubt you will be able to hand in something more full later on, but you might give those figures now in evidence?—For the last financial year: England, £6,765,884; Scotland, £6,902,431; Ireland, £4,076,810; the total is £17,745,125.

13. And that duty is paid, is it not, at the time when the spirit leaves the control of the Revenue authority?—Yes.

Mr. A. J. Tedder.

2 March 1908.

14. Now I would like to ask you what is the quantity of proof spirit made during the same period?—In England there were made 13,424,854 proof gallons; in Scotland, 24,839,870 proof gallons; Ireland, 12,053,184 proof gallons. Total, 50,317,908 proof gallons.

15. When that spirit was made what would its destination be?—Some would go into consumption at once.

16. A small quantity I suppose?—A small quantity, comparatively. A small quantity would go direct for drinking purposes, but what we call consumption means more than that.

17. We will come to that later?—Some would go for exportation; the great bulk of it would be bonded and some would go for methylation.

18. What is the estimated consumption per head of the population? I might say with regard to that that though that is the usual form of words I think it is a little confusing, but that will probably come out in your answer?—It works out at ·74 of a proof gallon.

19. (*Chairman.*) That is for the whole population?—Yes. This figure, it may be explained, is arrived at by dividing the total number of gallons of spirits on which duty was paid, when the spirits went out of Revenue control, by the estimated population corrected to date, due allowance being made for the duty-paid spirits which came back into Revenue control and on which drawback was paid on their being re-warehoused for exportation. It is only a rough approximation.

20. (*Mr. Guillemard.*) Your answer brings out the point I wanted to bring out, which was this: when you say consumption per head of the population it does not necessarily mean that each particular throat in the country has drunk so much, but it is the amount which has passed out of Revenue control divided by the total population?—Yes.

21. Consumption includes keeping in cellars, and stock, and everything of that sort—it does not mean drunk?—No. Of course there would be a considerable quantity of it lost by evaporation and other forms of waste, and some of it would be for other than potable purposes.

22. I put that point because I often see in the newspapers the consumption is treated as if it actually meant the amount drunk, which is not necessarily so. That is so, is it not?—That is so.

23. Would you give us some particulars, which is coming close to our Inquiry, of the actual number of distilleries in the different parts of the United Kingdom which are working now?—Last year, *i.e.*, last distilling year, which I might explain is the year ending 30th September, there were in England 8, in Scotland 150, and in Ireland 27. There were, in addition, a number which were not working, viz., 1 in England, 12 in Scotland, and 3 in Ireland. (*See Appendix A, I.*)

24. Temporarily not working?—Temporarily. Some of them, will however, never work again, I think.

25. Would you be able to classify those according as they work by pot still or patent still, or by pot and patent still—that would be three classes?—In England there was no distillery with pot stills only. There were three having pot and patent stills, and five having patent stills only. In Scotland there were 137 with pot stills, three with pot and patent stills, and ten with patent stills. In Ireland there were 18 with pot stills, seven with pot and patent, and two with patent stills. (*See Appendix A, I.*)

26. (*Dr. Horace Brown.*) Those are not necessarily separate businesses—they are separate distilleries?—They are separate distilleries. You mean to say one distiller may have two or three distilleries?—Yes.

27. That is counted as two or three as the case may be?—Yes.

28. (*Mr. Guillemard.*) Are those figures for the present year?—They are for the last distilling year.

29. Is the number in any particular class increasing or decreasing over a period of recent years?—Of recent years there has been very little increase.

30. I do not know whether you have the information, but would you be able to put in a table showing in regard to those three classes the numbers for, say, 10 years?—Yes. (*See Appendix A, II.*)

31. (*Dr. Horace Brown.*) And the amounts turned out by each individual distillery?

32. (*Mr. Guillemard.*) Would you be able to state the amounts turned out by each distillery?—That is coming rather close to confidential information.

33. (*Dr. Adeney.*) Do you think 10 years would be a sufficient time to go back? What I wish to know is this: was there any sudden increase of the consumption of potable spirits at any time in the last few years? Has the growth of consumption of potable spirits been a gradual growth?—It has been decreasing.

34. (*Mr. Guillemard.*) Now we come to a very important point. Would you tell us all you are able to (it is very important, so we want it fully) with regard to the kind of materials that are used in the manufacture of spirits in the United Kingdom—if possible in the three divisions for the last completed distilling year?—I will give the different kinds of materials first as they come, and the quantities afterwards. Distilleries in this country use these materials: malt, unmalted grain (which includes maize, barley, oats, rye, and a little wheat), rice, molasses, glucose, sugar (an infinitesimal quantity of sugar was used last year), and various other materials, such as sago, tapioca, bran, and malt commings. These last two really are not spirit-producing materials; they are used principally, I believe, for promoting fermentation.

35. That is a large list. I conclude from its size that there is no legal restriction as to the materials from which you may manufacture spirit if you want to?—None, so long as the specific gravity of the worts produced can be ascertained by the prescribed saccharometer.

36. That, being, of course, a Revenue consideration?—Yes.

37. Now we come to the quantities of the different materials used in the United Kingdom, and there you will be able to give the three countries separately?—Yes. The quantities of different materials used in the last distilling year, commencing with Scotland, were: malt, 847,530 qrs.; unmalted grain—I may say we have not got the separate figures for the different kinds—497,798 qrs.; besides this there were 840 cwts. of bran, and a small quantity, 70 cwts., of malt extract.

38. You said the bran was principally used to promote fermentation?—Yes, by the yeast manufacturers. Then in England there were used: 81,289 qrs. of malt; 253,314 qrs. of unmalted grain; 950 cwts. of rice; 1,065,509 cwts. of molasses; 408 cwts. of glucose; 2 cwts. of sugar; 1,541 cwts. of bran; 3,593 cwts. of sago; 1,393 cwts. of tapioca; and malt commings—these are the rootlets from the malt, after the malt has been dried on the kiln—6,237 cwts. Then in Ireland there were used 215,151 qrs. malt and 384,963 qrs. unmalted grain. There were no other kinds of materials used in Ireland.

39. Nothing at all?—Nothing else.

40. Then neither in Ireland or Scotland do you get anything except malt and unmalted grain, except a certain amount of bran which is used in Scotland for fermentation, and a negligible quantity—70 cwts.—of malt extract in Scotland?—That is so.

41. Could you give us any estimate of the production of spirits from each class of material in the most convenient form to yourself?—Would you like the total of the materials used? Of course, you have them there by adding them up; but I can give you the total.

42. I should like the totals?—I have got them under four heads—malt, unmalted grain, other materials, and molasses. Malt, 1,143,970 qrs.; unmalted grain, 1,136,075 qrs.; other materials, 15,034 cwts.; molasses, 1,065,509 cwts.

43. Would you come now to the estimated production of spirits for each class of materials?—We estimate that from malt the distiller can produce 16½ gallons per quarter.

44. (*Dr. Horace Brown.*) Per quarter of how many pounds?—We usually take it at 42 lbs. per bushel, but

we are not very certain as to how the distillers take it. There is no statutory weight; 42 lbs. is the average.

45. 336 lbs. per quarter?—Yes. From unmalted grain 20 gallons. That would be heavier.

46. 480 lbs. per quarter?—I know as a fact that some of them make it up to 60 lbs., and some of them take it at 56 lbs. These estimates are really very rough. Then sago, per cwt., should produce 7½ gallons; tapioca and rice the same; sugar, we consider, should produce 10 gallons per cwt.; molasses only 6; glucose, 8·4 gallons. I have got a table here showing the percentage of total estimated produce derived from the different materials, which should be rather interesting.

47. (*Mr. Guillemard.*) Perhaps you would read it first and then put it in?—Taking England first; the estimated produce from malt was 10·4 per cent. of the total quantity of spirits made. Unmalted grain, 39·8; molasses, 49·7; glucose is really scarcely worth considering—it is ·02. In Scotland, 58·4 per cent. from malt and 41·6 per cent. from unmalted grain. Ireland, 31·6 per cent. from malt and 68·4 per cent. from unmalted grain. The United Kingdom stands thus: malt, 39·3; unmalted grain, 47·4; molasses, 13·3; and glucose, which is not worth mentioning, ·008.

48. Could you give us some information classifying distilleries according to the materials they use? For instance, tell us the number that use malt only, and the number that use malt and unmalted grain, and so on?—In England there were no distilleries which used malt only. There were three which used malt and unmalted grain, and there were five which, in addition, used molasses. In Scotland there were 142 using malt only, and eight using malt and unmalted grain. In Ireland there were three using malt only; and 24 using malt and unmalted grain.

49. Then continuing that classification, could you tell us what kind of unmalted grain is used in the pot still distilleries?—Barley and oats, and a little rye, and occasionally wheat. In quite a few maize is used.

50. In the patent still distilleries, what kind of unmalted grain is used?—Principally maize, but also oats and rye. Sago and tapioca were also used in the patent still distilleries.

51. What, according to the best estimate you can make, is the proportion of malt to unmalted grain that is used in the United Kingdom?—I have practically given those figures in the total estimated produce derived from the different materials.

52. You have also given me the estimated quantities produced?—Yes.

53. You might perhaps give the Commission some information as to the yeast making at distilleries, because that is an important branch of this question?—I am afraid I have not got the number of those distilleries here, but there are something like 20 distilleries where they make yeast for sale. We have no statistics as to the quantity produced, but it is very large. We are aware that some of the larger ones make from 20 to 40 tons of yeast per week. They have cut into the German trade in yeast very much during the last 20 years, and to show how important this is I may say that the price of yeast ranges from £30 to £40 per ton.

54. Then we may take it that of the total number of distilleries you have given, some exist very largely not so much for making spirits as for making yeast. Has it got to this, that the spirit is a bye-product in any case?—I do not think you can go as far as that. It forms a very important part of the business of a number of the large patent still distilleries, but they make very largely for spirit as well.

55. Would you give the Commission some explanation of the process of the manufacture of the different classes of spirits?—The processes really may be simply divided into three: mashing, fermenting, and distilling. I do not propose to go into the chemistry of distillation or brewing, but I will just say simply what the operations are. The mashing and brewing are practically the same kind of operation which goes on at a brewery, viz.: the treatment of the crushed or ground grain with hot water so as to transform the starch of the grain into sugar by the action of the malt, the diastase in the malt, some proportion of malt being required in every case. Where maize is used, that grain is generally subjected to a preliminary treatment under steam pressure before being mixed with the malt; it is a gelatinising process. When ready, the saccharine liquid obtained by the mashing of the grain is drawn off; it is cooled to the proper temperature and conveyed into the fermenting vessels. At this stage it is termed worts. Where molasses are used they are simply mixed with hot water. I believe a little acid is often used with the water.

56. For what purpose?—That is a chemical process, and I would rather not go into that. The worts having got into the fermenting vessels, yeast is added and fermentation is carried on, usually at a very rapid rate. The object of the distiller, of course, is to decompose as much as possible the saccharine matter in the worts, and fermentation, accompanied by the formation of spirit, is carried on as far as possible. Where yeast is manufactured for sale, the production of spirits is to a great extent a secondary consideration, more attention being paid to the production of yeast than to the production of spirits, and, as a rule, fermentation is not carried so far. Directly the worts get into the fermenting vessels and fermentation commences they are called wash. This wash will contain spirit proportionate in quantity to the original specific gravity of the worts before fermentation, and the extent to which fermentation shall have been carried—it is what we call the attenuation of the wash. All that remains for the distiller to do is to extract the spirit from the wash. This he does by distillation. The wash is removed to the still and subjected to heat, the temperature being raised above that of the boiling point of spirit. The spirit is vapourised, carried over in a close pipe to the worm or condensing apparatus, and there condensed. I propose to describe the still presently, but these, simply, are the processes which are carried on at a distillery.

57. During the whole process of manufacture at the distillery, is a distiller allowed to add anything in the nature of flavouring ingredients?—No. This is all we allow him to do: we allow him to add soap in the wash still; this is done to prevent the frothing of the wash. That can scarcely be understood, perhaps, without knowledge of the way in which the still works, but it is only a mechanical action. Then we allow alkali and similar materials in the low wines still, or the rectifying still; these act on the oils in the impure spirit and assist in the purification of the spirit. In the same way charcoal is allowed to be added in the low wines still, but we allow nothing in the nature of flavouring ingredients.

58. What is the extent of the control of the Excise authorities over the materials that are used by distillers?—We exercise no control whatever except with regard to molasses, and that is only because there is a Customs duty on molasses, and they come to the distiller for making into spirits duty-free, consequently we keep a slight hold on those. The molasses are quite unfit for domestic purposes.

59. How exactly would you distinguish between the flavouring materials that you can prohibit and the materials used for distilling which the Excise have no control over? What is the authority for prohibiting the addition of flavouring materials?—A distiller can only make plain spirits, and plain spirits are spirits which have had no flavouring materials added to them.

60. That is the legal definition by statute?—Yes, by statute.

61. What powers have the Excise of obtaining information as to the kinds and quantities of material that is used by distillers?—We are entirely dependent on the distiller for that. He has to make a return at the end of every distilling period.

62. Under statute?—Under statute. I have the forms here.

63. And the form of the return is specified by the statute?—Yes, the particulars required are specified.

64. Under what statute is it?—Under the Spirits Act of 1880. (*The Witness produced specimen forms and handed them in to the Commissioners.*) I might perhaps explain that the operations of the distiller are by law required to be divided into distinct brewing and distilling periods. The worts made in one brewing period must be distilled before any more worts are made. This return is with a view to our keeping a

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constant hold on the distiller with regard to each distilling and brewing period.

65. Then these powers of calling for these returns are given to the Excise for what object? Is it for Revenue purposes? What is the value to the Revenue of the information as to the materials?—As to the materials, very little. It gives us an idea of what quantity of spirit should be produced, but then we have a much better hold on the distiller with regard to that; it also binds the distiller to a statement as to what he has done during the week. We have no check whatever on the materials. The other information he gives in this form he generally gets from us—from our accounts.

66. Will you explain that?—First of all there are the materials, and then comes "Gallons of wash distilled," then "Spirits at proof made," then "Feints at proof remaining."

67. And those particulars he would get from the Excise officers?—Yes, he always checks the account of the charge against him with the officer, so the accounts are taken together.

68. I think we might now come to what is really the heart of the matter, the question of the different sorts of stills that are used in the United Kingdom, and what their character and working is?—The first is the pot still. There are here models of the various stills, and, if you take the drawings, which I have had prepared, with the models, I think they will be understood better. In the drawing you will see there is the wash still and the low wines still. It is a still just like this model as a rule. That is connected with the still charger just above, and that again is connected with two other vessels which are shown here and which are really the fermenting vessels. The worts are fermented in the fermenting vessels—those at the top. Then, when fermentation has ceased, the wash is run into the wash charger. Here, I may say, we lock up the wash, *i.e.*, we lock up the spirit producing material. From the wash charger it is run in at will by the distiller into his wash still. The models are both furnace stills. Sometimes the stills are heated by steam. Being heated, the vapour rises and goes through that coil which is called the worm, and is there condensed. The worm is shown in this glass model of a worm tub, and you can see the worm or coil through the glass. From there it runs into what we call a low wines receiver, the first product from the wash still being termed "low wines." It is a very impure spirit, unpotable in that state. The "low wines" is run into the low wines still—generally through another vessel, but that does not matter. That is No. 6 in the drawing. The "low wines" is heated in the same way as the wash, the spirit being vaporized and then condensed. There are different ways of working this low wines still. In some distilleries they take spirits, *i.e.*, potable spirits direct from the "low wines," and that is the case, I may say, in all the Highland distilleries. In Ireland, and also in some of the Scotch distilleries, they collect the first spirits from the "low wines" not as potable spirits, but what we call "feints"; they would be collected in a receiver for a second distillation—No. 8—and they would be redistilled again.

69. They would go through the same process again?—Yes, they go through the low wines still again. Then they would be collected in No. 9, which is the spirit receiver. The impure spirit which comes off from the distillation at the commencement of the distillation, and at the end of it, is called "feints," and that is run into one of the other receivers and redistilled again either with "low wines" or by itself. The stills vary a good deal in shape. In Ireland the stills have a lower head than that one in the model as a rule, and most of them have a condensing apparatus at the head—on what they call the "line arm." They extract a lot of the impurities in this condensing apparatus and run them back into the still without their going into the worm at all. That is the case also with some of the Scotch stills. That is really all, I think, I need tell you about the pot stills.

70. Then the pot still has always practically two distillations and sometimes three?—Yes.

71. Now perhaps you will come to the patent still?—The patent still is a very complicated apparatus, but it works very simply. There also you see on the left, No. 1, "Liquor for distillation"; it is marked in the drawing, and those would be the fermenting vessels where the wash is. Then No. 2 is a wash receptacle; a wash charger. No. 3 is an intermediate wash charger. I might explain the reason for that. With the Coffey apparatus once they begin they must keep on right away through with their distilling operations; they cannot stop. With the other stills opportunity is given for refilling the wash charger while the wash still is working off the last charge of wash. But where a Coffey still is used they must always have a quantity of wash which they can go on with, and as the wash charger must be emptied before fresh wash is run into it, there is an intermediate charger into which wash can be run after the Revenue account has been taken of it in the wash charger, and thus allow the latter to be refilled. We get the check for Revenue purposes in the wash charger. There is no wash charger shown here in this model. *This* is evidently intended for the wash pump, a pump which pumps the wash through the apparatus. The wash is pumped up through this pipe which enters the column at the top. These bends represent the pipe passing in and out of each compartment of the "rectifier" as this column is termed. The wash goes up here and is pumped right through that continuous pipe and it comes out below *there*, rises *here* into *this* column, the "analyser," and is *here* discharged (*describing on the model*). At the bottom of the "analyser" there is an inlet for steam. Now this "analyser" is made up of a series of compartments separated from each other by perforated metal sheets, and you will see there are some tubes dropping from each. The wash going through the pipe in the "rectifier," as we shall find out presently, becomes heated. It is very hot by the time it leaves the bottom of the "rectifier"; the pipe conveying it rises to the top of the "analyser," and the hot wash is there discharged into the upper compartment of the column; it then drops through the "analyser" from sheet to sheet, meeting the steam which is introduced at the bottom. The steam vaporises the spirit in the wash and the vapour rises, passing through the descending wash, and at last leaving the top of the "analyser" by the large pipe at the head, which pipe descends and enters the "rectifier" at the bottom of that column. The vapour entering the "rectifier" rises through the several compartments, which, as in the "analyser," are separated by perforated metal sheets, and there is subjected to the cooling power of the wash which is running through this continuous pipe; condensation and elimination of the impurities in the spirit take place as the spirit vapour makes its way through the various compartments until it gets above what is termed the spirit plate, four or five or more compartments from the top, by which time practically all impurities will have been removed. The upper compartments form an open chamber, as a rule, with additional condensing power in it, and the spirit is rapidly condensed there, and run off by means of these pipes to the refrigerator. The refrigerator is shown over *there*, and through the refrigerator the spirit is run to the spirit receiver, or if it is at the beginning or the end of the distillation, to the feints receiver. That is really the whole process of distillation by the Coffey apparatus. I do not know whether I have made it plain; but, if not, I can explain anything further.

72. Perhaps you would hand in the drawings you have had prepared of the two stills?—Yes. (*See Appendix B.*) I might mention that the Coffey apparatus is made in various sizes; they are capable of distilling continuously from 2,000 to 8,000 gallons of wash per hour, and, in the latter case, will produce continuously from 500 to 600 gallons of proof spirits per hour.

73. That is the patent still?—Yes. The pot stills vary in size from a few hundred gallons to 20,000 gallons in capacity.

74. And what is the rate of distillation?—That I cannot say. That will vary very much.

75. Please explain?—At different distilleries there will be different rates of distillation for pot stills, depending upon circumstances. Then, in addition to these stills, at many of the large distilleries, there are in addition rectifying stills which are used for further purifying the spirit.

76. Are those used in combination with the pot still or a patent still, or possibly with one or the other?—With the patent still. There are various

kinds. Some of them are a kind of combination of pot and patent still.

77. What is the object of using this additional still?—To get the spirit still more pure for rectifiers, these are the traders who make gin, and that kind of thing, who want the spirit very pure.

78. They want to get very nearly pure alcohol?—As near as they can get it.

79. With none of the bye-products?—Yes. They do not get it much stronger in rectifying it, but they get it purer.

80. Can you tell us about the character of the worts that are used for distillation in the patent still and the pot still respectively—whether there is any difference in the worts?—There is a good deal of difference in the specific gravity of the worts. For instance, for patent stills the gravity of the worts varies from 25° to 35°, as we call it, that is 1025° or 1035°, while for pot stills the specific gravity will be 1045° to 1060°. Molasses wash, I may say, is always distilled in the patent still.

81. Is the result of using wash with the heavier gravity that it produces the stronger spirit?—Oh no; it is the other way, really. It is better fitted for the still, that is the reason of it. They work with a more dilute wash in the patent still.

82. Would that have anything to do with, say, the percentage of sugar in the wash, or something like that?—Oh, yes, that is it, of course. I may say that the percentage of proof spirit in the wash after fermentation would give you an idea. In the patent still wash there would only be from 5 to 8 per cent. of proof spirit, but in the pot still there would be from 8 to 12. As showing the effect of yeast manufacture, I may say the proportion of spirit in the wash is considerably less where yeast is made.

83. At what stage of the manufacture do the Excise officers begin to control the operations of the distillery?—We do not take any account of anything until the worts are collected in the wash or fermenting back, and there, directly they are collected, the distiller is by statute required to declare the quantity and the gravity of the wort collected, and the officer checks his account. Once having taken account of the worts the officer continues to take an account from time to time of the wash during fermentation.

84. Starting first with the pot still distillery, would you give us some description of the utensils that are employed and the method of working it?—On that drawing you will see the fermenting vessels; that is No. 1 on the left-hand corner. That is where the worts are run, and that is where the officer first takes any account. We keep a strict account of the wash which is fermented there, because we raise a presumptive charge on what is called the attenuation of the wash.

85. That is a preliminary way of ascertaining the amount of duty that ought subsequently to be got out of the materials?—Yes. Then comes the wash charger, that is the vessel next to that—No. 2 in the drawing. There we take a very close account, and we lock up the wash which goes in there, so that, having got that preliminary account, we know exactly what quantity of spirits the distiller should produce from that particular quantity of wash. We get our presumptive account by first taking the original gravity and then the lowest gravity after fermentation. The difference between these we call attenuation. The attenuation charge, I may say, dates back to 1823, 4th George IV., cap. 94, which Act authorises a charge of one gallon of proof spirit for every five degrees of attenuation in 100 gallons of wash. As an illustration, if the wash were of an original gravity of 50° (1050°), and when fermentation was finished, that wash was of a gravity of 1,000, there would be an attenuation of 50°. In that wash we are entitled to assume, for the purposes of the presumptive charge, that there would be 10 per cent. of spirit at proof strength. From the wash charger the wash goes into the wash still. That still is under Revenue lock. As shown here, as I have mentioned before, the spirits from the wash still go into the low wines receiver or low wines receiver and charger. That also is under Revenue lock. From there it goes to the low wines still—also under Revenue lock—and from there, after being distilled, it goes to the feints receiver and the spirits receiver. The feints receiver receives the impure spirit, and the spirit receiver the pure spirit, everything being under Revenue lock.

86. So that really the Revenue know exactly what is happening, and have complete control all the way through during that process?—Yes.

87. When the spirit has gone through this process of manufacture and has got as far as the spirit receiver, what is the strength of the spirit at that stage?—The strengths vary very much. In the majority of Scotch pot still distilleries the spirits are taken from the distillation of the low wines or spirits of the first extraction. That spirit generally runs from 13 to 18 over proof. Where there is a second distillation it would be run up to a strength of from 40 to 50 over proof. In Ireland, as I mentioned before, the rule is to re-distil the spirits produced by the distillation of the low wines and, consequently, there they run spirits as a rule from 40 to 50 over proof.

88. That would be for the pot still?—Yes.

89. When the spirit is bonded what is the ordinary strength of the spirit as compared with the strength at which it is taken into the receivers?—The usual strength in Scotland is 11 over proof; in Ireland it is about 25 over proof. Some bond at 11 over proof in Ireland, but the great bulk of it is 25 over proof. By law, however, the distiller may bond at any strength not below 20 under proof, or above 25 over proof, and also above 43 over proof. Forty-three over proof, I may say in passing, is the minimum strength, following the legal definition, of spirits of wine. In some distilleries they bond at a number of different strengths to suit customers, but those are the ordinary strengths which I have given you.

90. Would you come now to the patent still distilleries, and give us the corresponding information to that which you have given us with regard to the pot still distilleries, beginning with the utensils and the methods of working them?—I am afraid I shall be going over some of the ground I have already gone over in describing the stills. At a patent still distillery they have often a very large number of fermenting vessels and several wash chargers, and several intermediate wash chargers, and, it may be, two patent stills, several spirit receivers and feints receivers, and there is another receiver which they do not have with the other still, that is the hot feints receiver. That is shown below in the model. It is the impure spirits which are collected at the bottom of the "rectifier," and those are pumped continuously all through the distillation up to mix with the wash. They are redistilling the impure spirits the whole time they are distilling with the patent still. The last part of the impure spirit which drops to the bottom of the "rectifier" is allowed to remain in the hot feints receiver. From the hot feints receiver at the end of the distilling period, it is usual to run off the fusel oil which is collected there. Fusel oil, I may say, is rather a valuable bye-product, worth a good deal more than spirit.

91. What is its use? Has it some chemical use?—I think it is principally used for solvent purposes.

92. (*Dr. Horace Brown.*) Photographic films?—Yes; it is also used for some special kinds of varnishes.

93. (*Mr. Guillemard.*) That was referred to as far back as 1890 in the House of Commons Select Committee. Do you know whether the use of fusel oil has increased since then?—I think it has increased as a solvent. I do not think the price was anything like what it is now. They get as much as 5s. a gallon for it.

94. Would you come to the strength of the spirits in the patent still at the point where it is collected in the spirit receiver?—With a patent still they run spirits continuously throughout their distillation at a strength from 65 to 68, or even 69 over proof.

95. Very much higher than the pot still?—Yes, they cannot get that strength from a pot still. In England large quantities of this spirit go direct to the rectifiers after duty has been paid upon it. A great quantity also goes direct for methylation.

96. When you come to bonding the spirit, that is the product of the patent still as compared with the product of the pot still, at what strength would it be bonded as an ordinary rule?—The strengths vary very much at patent still distilleries. In Scotland some are sent out at the highest strength, but most

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of it is bonded at 11 over proof or thereabouts—the same strength as the pot still. It is bonded at lower strengths also to suit customers, but that is the rule. In Ireland most of it is bonded at 25 over proof, some at 11, and a fair quantity at varying strengths from 20 under proof upwards, and some even at the highest strength.

97. How is it reduced from the strength at which it stands in the receiver to the bonding strength? Is that mainly by dilution with water or blending or what?—Only by the addition of water. That is done in the next process.

98. Now we have got the spirit as far as the time when it is collected in the spirit receiver. From that stage onwards what control have the Revenue authorities over the spirit?—They have a perfectly close control over it from there. It can only be removed from the spirit receiver through a close metal pipe with cocks upon it, which are under our locks, to the spirit store.

99. The spirit store being a part of the distillery?—Yes. The spirit store is a kind of intermediate bond into which the spirit from each distilling period separately is run. It is run into vats there from the spirit receiver.

100. Closed vats?—Yes, they are all closed vats, but we only lock up the discharge cocks of these vats. The spirits of one distilling period must be cleared from the store before those of the next succeeding period are taken in. That is to enable an exact Revenue account to be taken of the period's production.

101. They would only stay in the spirit store quite a short time, I take it?—Yes, that is all. They cannot stay there more than a few days. The store must be cleared within 10 days of the end of the distilling period.

102. When they have passed through the spirits store what happens to the spirit then?—In the spirit store the spirits are all racked into casks.

103. Racking simply means putting into casks?—Simply turning the spirits from the vats into the casks. All casks at a distillery must be marked in a certain way, marked with the name of the distillery, the name of the distiller and the number of gallons the cask can contain. If the spirit is to be removed to a bonded warehouse, or, as we term it, "warehoused," the casks must also be marked with the year in which the spirits are made and the progressive number of the cask commencing with No. 1 for each year, so that we can identify every cask that is filled in a store and removed to a warehouse.

104. What different kinds of bonded warehouses are there at a distillery to which the spirit can be removed from the spirit store?—I might say here that as no spirits are allowed on a distiller's premises except those which have been made at the distillery, it will be understood that the distiller is only dealing with spirits which have been manufactured at his distillery. Spirits once having left the distillery cannot be brought back.

105. Not under any conditions?—Not under any conditions. The warehouses at a distillery may be these: the vat warehouse, into which the spirits may be conveyed from the store by close metal pipe, and warehoused in vats; the ordinary distiller's warehouse where the spirits are stored in cask; and the distiller's bonded warehouse, that is, a warehouse for which he gives bond specially in order that he may be allowed to transfer spirits therein to customers, whose names shall stand in the official books as the owners of the spirits.

106. That is practically storing for other people what he has sold already?—Yes. Of course, they do that in their ordinary warehouse, too, but we take no account of any change of ownership.

107. Does that cover all you have to say about the control of spirits as long as they stay in the distillery?—No; we shall, I think, come to that later.

108. Can you tell us what operations may be performed by a distiller at a distillery in preparing the spirit for his customers?—In a spirit store a distiller may prepare his spirits by reducing them with water to the required strength within the legal limits which I have already mentioned. He may add fluid colouring matter in quantity not exceeding 1 pint to every 80 gallons of spirits if they are intended for home consumption, the condition being that the hydrometer indication is not appreciably affected, and that the addition does not change the denomination of the spirits. If a larger quantity of colouring matter were allowed the strength of the spirits would be, as we call it, obscured; we should not get a proper reading of the hydrometer and we should lose duty by it. But if the spirits are intended for exportation we do not limit the distiller with regard to the quantity of colouring matter because we are not concerned with regard to the strength.

109. There being no duty to collect, you do not care?—We do not mind about it. From store he may send spirits into consumption on payment of the duty, or, without paying duty, he may warehouse it in his vat warehouse, or in casks in his distillery, or distillery bonded warehouse. He may send it to Customs or Excise warehouse away from his premises, or to the Customs for exportation, or for shipment as stores. He may send it away duty free also for methylation, or for use in arts or manufactures where the persons are authorised under the Finance Act of 1902 to receive it.

110. To receive it free of duty?—To receive it free of duty. When sent away duty free he has to give bond for the due production of the spirit at its place of destination.

111. Are there any particular regulations as to marking the casks of spirits when they have been filled in the distillery?—Yes, I have given those, I think.

112. You have nothing more to say on that beyond the information you have given?—No.

113. Is a distiller allowed to bottle spirit in his distillery?—Oh, yes, if he provides an approved store for the purpose.

114. Would that be bottling for sale or for bonding?—Either. I may add that in a vat warehouse, except that he may not reduce the strength of spirits unless for exportation, he can do what he can do in the spirit store.

115. Is the distiller allowed to have duty-paid spirits in his distillery?—Oh, yes, if he provides a secure racking store where nothing but duty-paid spirits are kept. They are kept under Revenue control.

116. Quite distinct, of course, from that part of the building which contains spirits on which duty has not been paid?—Yes. It may be side by side—we do not mind that, because it is entirely under our control.

117. From that store is he allowed to sell under a license to the public?—No, not from that store.

118. Not from the duty-paid store?—No. He would sell under his distiller's license from that—that is, in quantities of not less than 9 gallons. He is not allowed to have a spirit dealer's license on the distillery premises and not within two miles of the distillery unless by special permission of the Commissioners.

119. Then what operations can a distiller conduct? What can he do in the duty-paid stores?—He can rack spirits into casks of suitable size, and we also allow him to reduce spirits to strengths to suit his customers.

120. Within the legal limits?—Yes, as to quantity.

121. Passing from that to the distillery warehouse, what can a distiller do there?—He is allowed to rack spirits from one cask to another, or he may vat or blend spirits—putting them together in a vat, that is—and he may colour spirits in the same manner and with the same limitation as to quantity as he can in store, and he may reduce with water spirits intended for exportation but not for home consumption.

122. What regulations are there in force with regard to marking casks of spirits after they have been racked?—If the casks are filled with vatted or blended spirits of different years they must be marked with the latest year in which any of the spirits contained in the blend were warehoused.

123. Quite independent of amount?—Oh, yes. Every cask which goes from a distiller's warehouse has the year of production of the spirits marked on

it, so if they put together spirits of different years we say, "You must mark those spirits with the latest year."

124. The mark in that case would be a mark made on the cask?—On the cask.

125. As long as the spirit stayed in the cask it would be indelible, but if later on it was moved into another cask or blended after it had left Revenue control, the mark would cease to be of any use to the purchaser?—Oh, quite. If the spirits are racked more than once every cask has to be marked with the letter "R" to show that they have been racked.

126. And can that be done as often as they like?—Yes.

127. As an ordinary rule, is this blending of spirits done several times?—There is not very much of it done at distilleries.

128. It is mainly done outside?—Yes, it is done outside. We shall come to that presently.

129. Could you tell us now something as to the ultimate destination of the spirit that is made in the pot and patent still distilleries respectively?—In a general way I can. Of pot still distillery spirits some quite small proportion goes direct into consumption as made. Most of it is bonded for some years, and then the greater part is blended before going into consumption. A considerable quantity is exported in casks direct from the distilleries. There is a very large export trade in bottled blended spirits.

130. By blended spirits you mean different sorts?—The spirits from different distilleries put together.

131. The blend might be a mixture of pot and patent, or it might be pot mixed with pot, or patent mixed with patent, I suppose?—Oh, yes.

132. And the object of blending, as a rule, is, is it not, to obtain a particular strength for a particular customer, or to obtain particular flavours to a certain customer's desire?—That is what the blenders would tell you.

133. What other explanation could you offer of it?—It makes all the difference as to the cost of the blend what spirit you put into it. Of course, there is a very great deal in blending spirits to get a particular flavour.

134. Those two reasons would operate to get a particular flavour and possibly to reduce the cost?—Yes. Of course, the blend is of different monetary values. Then, with regard to the patent still spirit, a very considerable portion of that made from molasses is methylated, or is used for industrial purposes.

135. Would you describe to the Commission what the process of methylating is?—Methylated spirit is the kind of spirit that we call now industrial spirit, which is allowed to be used duty free.

136. Non-potable? — Non-potable. There are two kinds of methylated spirits, industrial methylated spirit, which contains 5 per cent. of impure methyl-alcohol or wood naphtha mixed with it, and mineralised methylated spirit, which contains 10 per cent. of methyl-alcohol or wood naphtha, and a very small quantity—$\frac{5}{8}$ths of 1 per cent.—of mineral naphtha, as well. The industrial methylated spirit is only allowed to be used by people who are specially authorised by our Commissioners, and who give bond for the use of it. The mineralised can be used by anybody, and is sold retail by licensed retailers of methylated spirit. A very large quantity of molasses spirit goes for methylation purposes. Some molasses spirit is exported, and probably some—not very much, I think, is used for blending. The spirit made from malt and grain in Ireland is chiefly used for blending with Irish pot still spirit, but some goes to Scotland and England; the spirit made in England from malt and grain is very largely used by rectifiers for making into gin and other compounds. Some is doubtless used for blending purposes, and some would be methylated.

137. Can you tell the Commission something about the regulations that govern the removal of spirit from distilleries?—An exact account of the quantity and strength of the spirit is taken by the officer before the spirit leaves the store or warehouse. No spirit can be removed from a distillery unless accompanied by a permit written by the Excise officer.

Adjourned for a short time.

138. (*Mr. Guillemard.*) You were telling the Commission something about the regulations that govern the removal of spirit from distilleries?—Yes. As I had said, an exact account of the quantity and strength of the spirit is taken by the Revenue officer before the spirit leaves the store or warehouse. No spirit can be removed from a distillery unless accompanied by a permit written by the Excise officer. I have given the members of the Commission specimen permits. There are different permits for the store and warehouse. If the spirits are for home consumption—that is, if they go directly out of the control of the Revenue officers—the duty has to be paid first, but the same permit is used. If the spirits are for exportation, the distiller gives bond for their due exportation, and, similarly, if they are removed to another bonded warehouse he gives bond, and the Customs or the Excise officer, if it is an Excise warehouse, receives from the distillery a despatch giving the full particulars of the casks, and when the spirits are received and properly accounted for a certificate of receipt is sent back. *This* is the form. (*Copies of the same were handed to the Commissioners.*) "Wet goods" refers to spirits and wines.

139. Then these permits enable the destination of any particular quantity of spirit to be traced? The Excise keep a knowledge of where it has gone to?—Yes.

140. That is the object of the permits, is it not?—Yes; that is partly the object. Unless the spirits are accompanied by a permit they are seizable *en route.* If the spirits are removed for methylation, in the same way a despatch is sent to the officer who attends to witness the methylation, a bond being given for the removal of the spirits, and the bond is only cancelled on the issue of a certificate that the spirits have been duly methylated.

141. Does that complete what you have to say on that?—That, I think, really covers the ground of the question.

142. Then you have now traced the spirit up to the time when it leaves the distillery. Now if spirit is not bonded in a distillery what can happen to it? What other bonded warehouses are there other than the bonded warehouses at distilleries in which British spirits may be deposited?—There are what are called general warehouses, either under the control of the Excise or the Customs; what we know as wet goods warehouses for spirits and wines.

143. Duty free warehouses?—Yes. I have here the number of warehouses under our control.

144. Have you the number under the Customs also?—No, I have not the Customs.

145. You can tell us the number under Excise control?—Yes. According to the last returns made to us—we only get these occasionally—there were 1,077 distillers' warehouses. At some distilleries there are a large number of warehouses, the distillers are not confined to any particular number, and they keep on adding to them as they want them. There were 533 general warehouses.

146. Under the Excise?—Under the Excise, and 105 bottling warehouses.

147. Perhaps you would tell us what operations go on in these bonded warehouses other than distillery warehouses?—Such operations as racking, vatting or blending, bottling, colouring, reducing for bottling or exportation, and methylating. Those are practically all the operations which are generally carried on. It is very rare that any methylation is done in a warehouse, but it can be done under the provisions of the law.

148. Perhaps you would tell us a little more in detail about the operations?—I might give you figures showing the immense amount of work there is in connection with the operations—the number of gallons which are operated upon, *i.e.*, which will be either racked, vatted, or bottled. In the last financial year there were in Excise warehouses 27,453,881 proof gallons of British spirits operated upon. I have the Customs figures here as well showing the total quantity. In Customs warehouses 16,013,617 proof gallons—that is British spirits also. The total is 43,467,498 proof gallons.

149. Could you explain the processes a little more in detail? What, for instance, is racking?—Racking

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is simply the drawing off from one cask into another. I might say that all operations in a warehouse are under the immediate control of an officer who takes account of the spirits both before and after the operation.

150. Then, I suppose, we come to vatting or blending?—They are practically the same operation—placing the contents of a number of different casks together in a vat to obtain uniformity of character in the spirits.

151. Is there any limit to what spirits may or may not be blended? For instance, may you take British spirit and mix it in bond with a foreign spirit?—Not if the spirit is intended for home consumption, but it can be done for exportation, that is to say, British plain spirits may be mixed with unsweetened foreign spirits, in which case the casks have to be marked "Mixed," and other marks and brands have to be erased from the cask.

152. What actually is the mark that is put upon it?—The word "Mixed."

153. (*Chairman.*) Only one word?—That is all. Of course the numbers are also marked on the casks.

154. (*Mr. Guillemard.*) Then what regulations are there with regard to marking the casks of spirits that have been racked, blended, or vatted?—If the spirits are from the same distillery the letter "R," which would mean "racked," has to be placed on the cask after the warehouse number. If from different distilleries the words "Vatted" or "Blended" must be marked on the casks.

155. The blending question is one of the most important questions that we have before us. Could you give us any idea of the kind of mixtures of British spirits which go to form the blends? Of course one does not expect to get information that would be absolutely accurate, but could you give us some general idea?—Yes, I can give you a general idea. Of course, this is rather a burning question. I will just give some percentages.

156. It is really an important question, and you might give us all you know on the subject?—There are two classes of blends—blends of pot still spirit made at different distilleries, and blends of pot still with patent still spirit. The latter class of blend largely preponderates and is alone of interest. Where pot still spirits are blended it very frequently happens that spirits will be produced of quite a large number of distilleries, the blender having his own idea as to what is necessary to give him the proper flavour.

157. The blender may be blending spirits possibly from a lot of different distillers who have no connection with the blender? Is that so?—Yes.

158. The blending in bonded warehouses is practically a separate trade?—Quite separate from the distilling trade—that is, it is carried on in a general warehouse, of course. I can give these actual figures. These are blends of pot still with patent still spirit. Here is one, 14 per cent. of pot still distillery spirit and 86 per cent. of patent still. Here is another of 55 and 45 per cent. They vary very much, you see. Then 24 and 76 per cent.

159. (*Chairman.*) Which way?—I am giving the pot still first. Then 32 and 68 per cent; 13 and 87 per cent.; 56 and 44 per cent.; 80 and 20 per cent.—that is 80 per cent. pot there. Here is one of 6 per cent. pot and 13 per cent. patent, and then there is 81 per cent. of a re-blended spirit of which the constituents were not known. Here is one with a very small quantity of pot still—4 per cent.—and 96 of patent still. Here is another one of 6 per cent. and 94 per cent. of patent still. I have a number here varying from 25 to 55. Here is one of 68 per cent. of pot. Then I have a number here where the pot still spirit largely preponderates, for instance, 80 to 20; 84 to 16; 85 to 15; 80 to 20; and 84 to 16. I may say these are taken from different parts of the country.

160. (*Mr. Guillemard.*) And many of them would be—I will not ask for names—well-known blends that are known in the market. Would that be so?—I really do not know. I have got this information without getting the names.

161. When these blends have been made and put in the blended form in the cask, is there any mark put on the cask to show that it is a blend, or that it is a blend in such and such a proportion?—Yes. It is marked "Blended," but not the proportions.

162. The Excise have no power under the law, I think, to ask for the proportions or to insist that they should be marked?—No.

163. All that you get is simply the fact that it is a blend. You cannot tell whether it is one of 80 pot to 20 patent, or 20 pot to 80 patent?—No.

164. Have you the selling prices by any chance, or any approximation to them, of the blends that you have quoted?—No. I think that is all I can say about the blends. I have a number of others, but they are all about the same figures.

165. Now as to the question of practical administration. Is it possible for a Revenue officer to know of what a blend actually consists?—No, not under the present regulations. Of course, he does in a great many cases, and he has done in the majority of these cases which I have quoted. A blender may blend at two different warehouses, sending the two blends to a third warehouse, and there blend those two or blend those two with other spirits.

166. When they arrive from the third warehouse the history of them would not be known?—No. The identity of the spirits would be completely lost. The proprietor may blend as often as he likes.

167. Beyond that blending which we have been talking of, what else may be done with British spirits in a bonded warehouse that is not a distillery warehouse?—If the proprietor be a distiller or rectifier he can, under the special authority of the Spirits Act, which authority applies simply to these two classes of traders, add any sweetening or colouring matter, or any other ingredient to the spirits, but only for exportation or ships' stores. I may say that this is very rarely taken advantage of. It may sometimes be of service to makers of compounds, but a distiller does not want to compound, and under the ordinary regulations he is allowed to colour, which is practically all he wants to do. Then British spirits may be used in warehouses for fortifying wines or fortifying lime-juice, or under special conditions they may be used in the making of perfumed spirits for exportation only. I think that really covers the whole ground.

168. Then, speaking generally, what is the nature of the control exercised by the Excise over these operations of traders on spirits in warehouses?—The warehouse proprietor, to begin with, cannot touch the spirits to interfere with them in any way without bringing to the officer what we call a warrant, setting forth what he wishes to do. Having got that warrant the officer compares the account of the spirits which are there entered with the official account, and then proceeds to take account of the spirits before the operation. The operation is performed, and at the completion of the operation the account is again taken, and there are certain fixed allowances for waste during the operation. If the waste exceeds these allowances duty has to be paid on the deficiency.

169. That would be a small percentage?—Yes, a small percentage.

170. How much?—Two per cent. for bottling and 1 per cent. for racking or vatting.

171. Would what you have been saying be true of operations in Customs warehouses as well as in Excise warehouses?—Yes, we have a joint code of warehouse regulations which governs the receipt and delivery of and all operations allowed on dutiable goods deposited in either Customs or Excise general warehouses.

172. That code, I think, is drawn up by the two Revenue Boards under Statute, is it not?—Not under Statute; it is under Treasury regulation.

173. Is there nothing in the Statute which authorises them to draw up regulations for this purpose?—Yes, the Spirit Act gives the Commissioners of Inland Revenue power and the Customs Consolidation Act similarly gives the Commissioners of Customs power

174. The actual regulations are made by the two Boards?—Yes.

175. And they have power to vary?—Yes.

176. Now to come to compounded spirits, what do they really consist of?—Really a great variety of flavoured spirits: for instance, gin, British brandy, and a great number of liqueurs and cordials; for example, cherry whiskey, cherry brandy, ginger brandy, sloe gin, peppermint, ginger, lemon and other

fruit cordials, and orange bitters. These are made by the rectifier or compounder, duty-paid spirits being used.

177. Are all compounds made with duty-paid spirit?—Yes.

178. What is the kind of business carried on by a rectifier in this connection?—We discriminate between a rectifier having a still and a rectifier not having a still. The latter we call a compounder. There is a great deal of difference in the kind of control we exercise over the two. An important part of the business of a rectifier using a still is the manufacture of gin, either from spirits which he has himself rectified or from rectified spirits received from patent still distilleries, or direct from grain spirit if of sufficient purity. He also makes rectified spirits of wine for sale to chemists and others and the making of compounds generally is also carried on by him. I may say that considerable quantities of compounded spirits are warehoused by the rectifier on drawback. He makes the spirits and he has not a sale for them immediately. Of course, he does not want to lie out of the duty, and the law provides for these spirits, subject to a certain limitation as to strength, being warehoused, and the drawback being paid to him. Then the duty is paid on the spirits, when they go into consumption. He also warehouses on drawback a great deal for exportation, and he can warehouse spirits of wine for exportation, but not for home consumption or spirits of wine for use duty free under the authority of the Finance Act, 1902.

179. It is for what they call use in the arts?—Yes, use in the arts and manufactures.

180. You have been speaking about the rectifier with a still?—Yes.

181. What about the other man, the rectifier who has not a still, whom, I think, you call the compounder?—He makes a number of different compounds. There are a number of compounders now who do a very large and important business in the manufacture of tinctures, medicinal spirits, and flavouring essences particularly for exportation on drawback. A number of manufacturing chemists are licensed as compounders for this purpose.

182. What kind of spirits are required by rectifiers?—All the British spirit comes from the patent still distilleries. They like to get it as pure as possible. Much of it they receive at a high strength, from 65 to 69 over proof, and, as a rule, it comes to them direct from the spirit store, or from the vat warehouse without being bonded in cask.

183. It comes to them as soon as it is made?—Yes, as soon as it is made. I have some interesting figures that might come in here as to the duty paid on spirits. This is all quite new spirits coming from store. Of course, you understand the spirits cannot be more than a week old when they come from store. Last year the quantity of spirits from store on which duty was paid in England was 1,286,912 proof gallons; Scotland, 205,570; Ireland, 56,416; total, 1,548,898. The great bulk of that would go to rectifiers.

184. I shall probably have to ask the Customs representative about the foreign spirit that goes to them. You would not know about that?—No. They will not be able to tell you that either, because they do not deal with them as rectifiers.

185. What sort of Excise control is there over a rectifier?—Where a still is used the control is very close. The still cannot be used without the intervention of the Revenue officer, who attends on notice and examines the contents of the still. It is left open so that they can put anything into it, but they cannot work it.

186. It is locked with a Revenue lock?—Yes, with a Revenue lock; the officer puts the Revenue lock on it, so that nothing else can be placed in the still, and he unlocks the steam valve or furnace door to allow the still to be worked. The officer visits the premises from time to time while the still is being worked, and when distillation is finished he secures the steam valve or furnace door under a Revenue lock. This is to prevent the possibility of illicit distillation of spirit from wash, wine or other materials. Then we keep an account of the rectifier's stock; the stock is taken from time to time by our officers, and penalties are incurred by the rectifiers for irregularities. I might add that when the rectifier warehouses spirits on drawback the officer attends and takes an exact account of the spirits before they are removed to warehouse.

187. You mentioned methylated spirit a little time back. What kind of spirit is mainly used in making methylated spirit?—Always patent still spirit, and principally molasses spirit.

188. Is that because it is cheaper?—Yes.

189. The difference in price is very considerable, is it not?—Between patent still and pot still?

190. Yes?—Yes.

191. Have you any figures bearing on that?—I have here figures out of "The Wine Trades' Review" of last month. It is termed here "Grain whiskey, Scotland"—that is, patent still spirit—but the trade term here is "Grain whiskey." It is 1s. 6d. and 1s. 7d. per proof gallon.

192. (*Dr. Horace Brown.*) That is new spirit?—Yes, that is new spirit. For Ireland it is practically the same—1s. 9d. and 1s. 10d. per bulk gallon at 25 over proof—practically the same price. Here are the current prices of Irish whiskies in bond. These are pot still, and they are new whiskey. They vary from 3s. 1d. to 5s. per gallon 25 over proof.

193. (*Mr. Guillemard.*) Have you any figure for Scotch pot still whiskey?—I have some figures here, but I am not sure whether this is new or not. The Scotch varies from 3s. 3d. to 4s. 2d.—it may be a little more. That is for 11 over proof spirit. By the way, there are lower prices than that. That is for Highland whiskey. Campbeltown is from 2s. 6d. to 2s. 11d.

194. Is that a pure pot still?—Yes; and Lowland malt from 2s. 6d. to 3s. 6d.

195. What is the reason for the Irish being higher than the Scotch?—I am afraid I am not in a position to say.

196. It is not a question of strength?—That is partly the reason, because the Irish is 25 over proof, and the other is 11 over proof. I expect that about brings it to the same thing as a rule. Of course, some whiskies would fetch a higher price than others.

197. You were on the methylated spirit and the kind of spirit used in making it. Have you anything more to say on that?—I think not.

198. Then perhaps you could give us some figures of the quantity respectively of British and foreign spirit that is used for methylation?—Last year there were 6,550,285 proof gallons of British spirits methylated. We did not have any foreign spirit at all methylated last year—in fact, there has been none since 1904-5, and then only a very small quantity.

199. What stopped it?—It is the difference in price. The foreigners could not send it in at a low enough price.

200. Have you any figures; if so, you had better put them in later, showing the quantity of foreign and British spirits respectively used for methylation for some years back?—Yes, I have, and I will put them in later. (*See Appendix A, II.* (9).)

201. They will be rather interesting. Apart from methylated spirit what other spirit is there used in what they call the arts and manufactures?—By the Finance Act of 1902, Section 8, power was given to the Commissioners——

202. The Commissioners of Inland Revenue?—Yes, power was given to the Commissioners of Inland Revenue to allow spirits to be delivered pure for use in the arts and manufactures under whatever conditions they thought fit to impose.

203. Have you any idea of the amount of spirit which has been so used since the Act has been passed?—Yes. I can give you the quantities for last year. The quantities for last year were 431,898 proof gallons. The total quantity since 1902 had better be put in afterwards. We do not allow this spirit to be used perfectly pure as a rule, nearly the whole of it is denatured in some way before being given out for use. Then in addition to that, 4,017 proof gallons were allowed under the same authority to be received for scientific purposes by universities, hospitals, and public institutions. That,

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of course, is allowed to be used pure. I might add that 3,505 gallons of this total were foreign spirits; most of this would be imported absolute alcohol, and the rest would be pure methylic alcohol which is chargeable with the Customs duty on foreign spirits. (*See Appendix A, II.* (10).)

204. Could you give the Commission any idea of the quantity of British spirits that there now is in bonded warehouses in England, Scotland and Ireland?—Yes. At the close of the last financial year there were first of all in England 10,897,109 proof gallons; in Scotland 118,977,707 proof gallons; in Ireland 31,773,593 proof gallons; total 161,648,409 proof gallons.

205. How many years' consumption would that mean roughly?—About five years' consumption.

206. Do you know if the amount in bond is increasing or decreasing?—It has been decreasing for the last four years. I think there were nearly 5½ millions less last year than there were in 1903-4.

207. Is that due to less being put into bond, or to more being taken out do you think?—It is due to less being put into bond. The make has been very much smaller.

208. Then it has been kept less time in bond?—No, that does not follow.

209. The consumption of whiskey and other drinks has been decreasing actually, has it not?—Yes, slightly. In British spirits it has been going down ever since 1900.

210. Pretty steadily?—Yes.

211. Could you give the figures since 1900?—Yes. ·95 of a gallon in 1900. Then it goes down to ·89 and ·81. Then there is a rise to ·83 and a fall to ·80, ·77, ·75 and ·74. I might say, though, that the total British and foreign together, which also have been going down, in the last two years have been exactly alike, ·91. That is due to a larger quantity of foreign spirits being consumed in the year 1906-7.

212. *Apropos* of the last thing you spoke of, can you give us any idea of the relation which the stock in warehouse in the United Kingdom bears to the annual consumption?—Last year the stock was equivalent to about five years' consumption.

213. Can you carry that any further?—No, I do not think so.

214. While the spirits are in warehouse I suppose there is a great deal of loss from natural causes—evaporation, for instance. Could you give us any information on that?—Loss in warehouse varies very considerably according to the nature of the warehouse. The fixed regulation allowance is 5 per cent., 1 per cent. less for large casks, that is, casks of 80 gallons and upwards, for the first year, and 2 per cent. additional for each additional year. That allowance is more than sufficient under ordinary conditions. I should say that the actual loss in proof quantity is, on the average, 1½ per cent. less than the regulation allowance, that is if the warehouses are in ordinary condition as to surroundings, and the casks are in good condition, but in very damp or in very dry warehouses the loss will exceed the regulation ordinary allowance, sometimes very considerably.

215. Could you give us any idea of the average time for which spirits are stored in bond?—No, I do not think that would be possible. The greater part of the pot still spirit is kept in warehouse for from two to ten years and longer before it reaches the consumer, but it is really impossible to average it.

216. I think the next point is the amount of Revenue control that is exercised over the wholesale and retail dealers in spirits. Perhaps you could tell the Commission, with regard to the sale of spirits to the public by a licensed dealer or a retailer, what regulations there are governing the receipt, the storage, and the sending out of spirits by a licensed person?—Yes. I might hand these certificates to you. (*Certificates handed to the Commissioners.*) Neither a dealer in spirits nor a retailer in spirits may receive any spirits unless they are accompanied by a permit or a certificate. The permits are those which I gave you before, the store permit and the warehouse permit—that is from a distillery—and *this* blue form is the permit from a general warehouse. (*The form was handed to the Commissioners.*) The difference between those permits is this, that at a distillery the officer fills in all the particulars in the permit. From a general warehouse the proprietor of the spirits fills in the particulars on *this*, and requests a permit; the officer fills in the particulars at the bottom and signs his name, and that goes as the authority for the removal of the spirits from a general warehouse. These traders receive their spirits either from a distillery or a general warehouse, or from a rectifier, or from a dealer in spirits. The dealer and retailer are required to what is technically called "make entry" of their premises—that is to say, they have to give a written description of their premises in which they carry on any part of their business, and they are only allowed to store spirits in such entered premises. That gives the Revenue officer a power of entry to all these places, and also gives him information as to where he will find the goods stored. The spirit dealer or retailer has to keep a stock book. This is a statutory requirement, and in this he has to enter particulars of all spirits received and of all spirits sent out, if they are sent out under certificate. That I will explain. The permits or certificates which he receives with the spirits he has to keep and deliver up to the Excise officer. In sending out spirits the dealer must write a certificate in that form that I have just given you. That is written by the trader himself, and he must fill up one of these for all the spirits which he sends out, unless he has a licence to sell in bottle, in which case he can sell less than one gallon. What it really means is that no spirits can be removed by any trader from any place to another if the quantity exceeds one gallon unless they are accompanied by a certificate of this kind.

217. With regard to the stocks, do the Excise exercise any control over the stocks? Do they have any stocktaking, or close inspection of the stocks?—No; not unless there are any very special circumstances rendering it necessary or advisable. We have power to take stocks, but we do not do it

218. Statutory power?—Yes, statutory power.

219. With regard to the preparation or sale of spirits by the traders, what power of interference have the Excise got there?—Very little. We really do not interfere at all, except to see that no business is carried on which would render a compounder's licence necessary, and we endeavour to prevent the receipt of illicit spirits.

220. All that is done by the Excise there is simply done for the Revenue only?—That is so.

221. The last question I will put to you is about the export trade in British spirit. Is that a large trade?—It is a very important trade now. The quantity exported last year was 7,341,077 proof gallons. The business seems to be on the increase.

222. Do you know what sort of spirit that was, principally?—A great deal of it is good blends of spirit.

223. Whiskey?—Yes, *i.e.*, either of pot still spirit only or of pot still and patent still spirit.

224. (*Dr. Horace Brown.*) I should like to ask you one or two questions as to the distinctive character between patent still and pot still spirit. Do you regard the two as being essentially different in character?—Well; if I had the two put down together, side by side, there would be no doubt about distinguishing the two, and I should have no difficulty in saying which was which.

225. Is the patent still product a silent spirit, in the strict sense of the word?—Yes; I think so. Of course, I am not an expert on spirits.

226. Perhaps I am not right in asking you these questions. You make no distinction as regards the Excise?—None whatever; it is all spirit.

227. You put it all down as plain spirit?—Yes.

228. (*Dr. Adeney.*) I should like to ask you this: Is there any material difference in construction amongst pot stills?—No.

229. That is to say, the Irish and the Scotch pot stills are essentially similar in character, so far as construction is concerned?—Yes.

230. You gave us the average length of time of bond for the pot still spirit, and I think you said from 2 to 10 years?—Yes.

231. Could you give us any information as to the bonding of patent still spirit?—No; it is not so much as that.

232. Could you give us any figure?—No; I cannot give you any figure. I know that some patent still is bonded for a considerable time.

233. You do know that?—Yes.

234. But the greater part for a comparatively shorter time?—Yes, the greater part would be for a much shorter time than the pot still spirit.

235. (*Dr. G. S. Buchanan.*) I understand there is no official definition of "whiskey" in any sense for Excise purposes?—No, we do not know of such a thing.

236. And it is not differentiated as "whiskey" in any official return?—No.

237. You told us about the duty on spirits. I gather that that is subject to certain allowances as regards evaporation, and one thing and another. The allowance includes an allowance in respect of loss of spirit due to ageing, does it not?—Of course, that is really what it is in effect, but we always charge upon the proof quantity which we find. If the proof quantity which we find in the whiskey is less than what we consider it should be after making the regulation allowance, then the owner of the spirits is called upon to pay the difference. That is what we call a chargeable deficiency.

238. Is there a less profit to the Revenue in the case of an older spirit, a spirit that has matured for two or three years in bond, than in the case of the new?—No, it is exactly the same.

239. You mentioned the increase of spirits distilled about 1899 and 1901-2. The spirits distilled in the United Kingdom in those years were considerably more than in the years before and in the years since. Is there any broad explanation of that?—I do not think I gave you that. I simply gave you the quantities which were in warehouse for those years.

240. Not the quantities distilled?—No, not the quantities distilled. I have them here.

241. There was a considerable increase, was there not, about the year 1900?—Yes, the biggest year is the previous year, 1898-9, that is the year ending 30th September, 1899. That is the biggest year we have.

242. I do not want to elaborate the point, but could you say generally is there any general explanation for the great increase about that time?—I really do not know. It is simply what is known in the trade, I believe, as the whiskey boom. There were a number of new distilleries started about that time, and just before, and the stocks, of course, went up accordingly.

243. You mentioned certain distilleries where yeast making is the principal trade?—I would not say principal.

244. Or one of the principal?—It is a very important branch.

245. Could you tell us where they specially are? In locality, are they mainly in the North of Ireland?—No, I think there are more in Scotland. I am sorry I have not those figures with me.

246. You can, perhaps, give us a list of them?—Yes, if necessary.

247. I think that would be necessary?—That is really giving information about individual distilleries. I could give you the number of the distilleries in each of the three kingdoms, if that would suit you? I really only sit here as an official, but I am ready to give anything that is necessary.

248. With regard to materials used, I gather that the distiller gives certain returns or certain information to the Excise authorities as regards the materials of which his wort is composed?—Yes.

249. You take those from the distiller?—Yes.

250. There is no special control by the Excise authorities as to what he uses, but the distiller tells the Excise authorities what he does use?—Yes.

251. That can always be checked, I presume?—No, I do not think it can.

252. You would know if you had an inaccurate return, perhaps?—Within certain limits only.

253. Does the distiller keep books which show, as a rule, what his ingredients are?—No doubt he does.

254. And the Excise officer would have access to them if he wanted?—No. Of course, as you know, we have access to all his premises. We can see what he has got there.

255. With regard to the knowledge which you told us that the Excise officers have of the spirits in bonded warehouses, I understood that in distillery warehouses (correct me if I am wrong) you know practically the composition of any spirit that is there, that is to say, the time at which it was distilled, its specific gravity, and other things about it, and you know what additions have been made to it in bond?—Yes.

256. In a distillery warehouse you practically know everything with regard to it?—Yes.

257. But in outside bonded warehouses—what is the appropriate term for them?—General warehouses.

258. Yes, in general warehouses, blends may take place of spirits which come from other warehouses?—Yes.

259. And in that way the record of the origin of the different spirits would be lost, or might be lost?—That is so.

260. It would require some re-arrangement at any rate to trace it—some arrangement of forms and things which you do not possess at present?—Yes.

261. Are any of the particulars that are available to the Inland Revenue Excise authorities as a result of their supervision also available to the trade in any way—for example, as to age? Are any particulars that are given to the Inland Revenue authorities, or are required by the Inland Revenue authorities, about age available to purchasers or to traders?—All spirits except blended spirits have the year of origin marked on the cask.

262. They have the last year?—If they are blended at a distillery they have the last year, and if they are blended in a general warehouse they have what we call the "Operation Year"—that is, the time that they were operated upon.

263. Is there any reference either by mark on the cask or otherwise to any documents or books which will show what has happened to the spirits at the time of operation?—We could trace the account in our books, that is, every cask is identified in our books.

264. Are particulars as to the origin or the nature of particular blends ever given for export purposes?—No.

265. Are they ever asked for to comply with the food laws of foreign countries?—No.

266. There are some Australian regulations, are there not, about the time which spirits must be kept in bond?—Yes, they have a regulation to the effect that the spirits must have matured two years in wood.

267. Do the authorities assist in any way there?—We do not.

268. It is left to the declaration by the exporter?—Yes.

269. Does the keeping of foreign spirits such as rum and brandy in bond come much under the Excise supervision, or is that mainly the Customs work?—It comes to us because in all general warehouses we have foreign spirits, but the Customs deal particularly, and I might say they deal entirely, with the importation regulations.

270. You can tell me this, no doubt. Are there not some distinctions that are made between foreign spirits? For instance, you recognise, do you not, rum and artificial rum in the case of foreign spirit?—Yes. There will be a Customs witness here presently, and perhaps he can deal with that.

271. That is why I asked the question. You told us about methylated spirits made from molasses. Could you say whether, when it is made from molasses, it is cheaper than the cheapest form of patent still spirit that could be got from grain?—I can hardly give a reply to that. I should think it is, or else they would not have it. It is the cheapest form of patent still spirit that is made.

272. You told us about the practice of the dealers who purchase or obtain blended whiskey or blended spirit from bond. They have to receive a certificate or the person who supplies the spirit has to give the Excise officer a request?—Yes; a permit.

273. There are particulars that are entered in the permit. I see there are marks and numbers of

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casks, and so forth, on the form. Would those marks in any way enable the age or character of the spirit to be ascertained?—There would be the age of the spirit. If it comes from distilleries, as I said just now, the year would be on.

274. What do you say in the case of blended spirit?—In the case of blended spirit there would be simply the year of operation upon it, and not the age of the spirit.

275. Excise officers have power of entry into a publican's premises?—Yes; those are the retailers that I speak of, and publicans would come under that head.

276. In the case of publicans, do they ever have any occasion to trace back the origin of a particular spirit sold by a publican?—No; I have never known of a case where it has been necessary.

277. There is no machinery or system or form of entry which enables that to be done?—No.

278. With regard to distilleries generally, you are the only officers, either Government or local, who have the right of entry in those premises?—That is so. Of course, they are inspected under the Factory Acts.

279. As regards the composition of the spirit?—Not as regards the composition of the spirit.

280. No officers under the Food and Drugs Acts, for instance, go there?—No.

281. (*Chairman.*) You told us just now of the difference in price between pot still whiskey and patent still whiskey. Does your general knowledge enable you to say what is the reason of that difference in price?—No; I do not think I can express an opinion upon that.

282. I do not want any details, but can you tell me this: Does it depend upon the commodities out of which the two different whiskies are made?—To some extent, it does; and the cost of production, no doubt, influences it.

283. Is there any other reason, except cost of production?—No, I think not.

284. Very well. You also told us of the blendings. Of course, they vary very much, pot still being very small in some and large in others. When that blended whiskey is sold, is it sold all at a uniform price?—No.

285. What regulates the price there?—The initial cost of the spirit will regulate the price there.

286. If the proportion of the pot still is great and the patent still is little, the price is high?—Yes; and, of course, the age also will affect it.

287. I was coming to that. But that would be the primary distinction in price between those two?—Yes.

288. Do you think any member of the public, if he had got a bottle of pot still whiskey with 6 per cent., and by the side of it a bottle of pot still whiskey with 80 per cent., could tell the difference if he drank it?—I expect any whiskey-drinker could.

289. What would it be—the greater strength?—No; it would not be the strength but the flavour—the aroma.

290. Is there a uniform flavour of pot still whiskey?—No.

291. Then if there is not a uniform flavour of pot still whiskey, how could he tell, if he was tasting the two, which contained pot and which contained patent?—When I say there is no uniform flavour, I mean different distillers produce spirits of different flavours, but still there is the pot still flavour in all the pot still spirits, and yet the pot still spirits will all differ when coming from different distilleries.

292. I always understood there was a difference between Irish and Scotch whiskey from the fact that in Scotch whiskies the malt was made over peat and the Irish over coal, and there was, therefore, the flavour of the peat permeating the whiskey so that a person could tell Scotch from Irish?—Of course, Irish whiskey is made partly from grain.

293. I know that, but is there not also that distinction between the peat being used in Scotland and not in Ireland?—Yes, I think so.

294. What is the power of an ordinary person in drinking, say, two pot still whiskies, to tell, by tasting, the difference—to tell whether one came from the Highlands or from the Lowlands. Could he tell the difference?—I think you are really asking me more than I am prepared to say.

295. I do not wish to press you, and I will ask a later witness. Perhaps you would rather say you could not help us on that point?—I do not think I could. A whiskey merchant would be able to tell you.

296. And it may be that persons of great experience might?—Yes.

297. But to take the ordinary public, do you think that they can trace the difference between pot still whiskey and patent still whiskey, assuming them to be made of good materials? Do you think an ordinary person could tell the difference?—I think he would if he was in the habit of drinking whiskey.

298. You see a great many persons now are taking whiskey instead of wine for the sake of their health. Do you think such a class of drinker could tell the difference between the two?—I think he could if he had the two together.

299. How would you describe the difference yourself?—I am afraid that is getting a touch of metaphysics.

300. Not at all. I suppose there are known brands of whiskey—Cambus and other brands that are known?—Cambus is a patent still distillery. They call it a whiskey, I know.

301. Have they a reputation on account of the whiskey they produce?—Really I would rather not express an opinion. I really cannot say with regard to these matters.

302. I only want, as regards these different products that are employed in patent still whiskey, your general knowledge. In the first place, as to your general knowledge, have you examined the books at all of the distilleries to see what materials they were using?—No, we never do that.

303. Do they ever give you returns of the products they use?—Of the materials they use?

304. Yes?—Yes, we get those particulars; they have to do that every week.

305. Have you any objection to state them? In the patent stills is maize a considerable ingredient that is used?—Yes.

306. As high as 75 per cent.?—I think it will run quite as high as that.

307. It is substantial?—Yes, very substantial.

308. And that is the principal ingredient in which the difference from the pot still arises?—Yes.

309. Have you any knowledge of this—do not answer if you have not—does maize make a more stimulating spirit than malt or is it a comparatively innocent ingredient, I will call it?—Its value to the distiller is the large proportion of starch which is in it, which, of course, is converted into sugar. All the distiller wants is a saccharine.

310. That is one of the reasons why production of patent still is cheaper—that maize is cheaper than malt?—That is so.

311. Are those qualities beneficial, do you think, to the person who consumes?—That I cannot say.

312. (*Dr. Cushny.*) Can you give us any impression as to how much patent still spirit is actually used for drinking purposes and not produced for arts purposes?—Drunk alone, do you mean—unblended?

313. No. Used for blending; what proportion of that?—I gave you the proportion of a number of blends. I could not give you the proportion throughout the country.

314. (*Chairman.*) You gave the number of the distilleries where the pot was produced and the patent was produced, but that does not meet the question.

315. (*Dr. Cushny.*) I want to know the proportion of the total that was used for arts and the proportion that was used actually for drinking purposes as potable spirit?—You cannot get at that, really, because a large quantity of the spirit from patent still distilleries goes to the rectifier for rectification.

316. You cannot subtract that from the total?—No; I have no figures with regard to that.

(*Chairman.*) The Commissioners are obliged to you for your evidence.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

SECOND DAY.

Tuesday, 3rd March, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. AARON RICHARDSON, called.

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317. (*Mr. Guillemard.*) What is your position under the Board of Customs?—I am an inspector.

318. I think you have had considerable length of service?—Thirty-nine years.

319. I want to explain the sort of evidence the Commission will ask from you to-day. It will be explanatory, and will fit in with the evidence that Mr. Tedder gave yesterday which was connected with British spirits, and will fill up the gap so far as foreign spirits are concerned. That is to say, spirits imported from abroad. The points on which we shall ask for your evidence will be these: the different denominations of spirits that are imported from abroad, the amounts of such spirits, and the countries of origin from which they come. It will be mainly on those points that you will be asked to give evidence, because when you come to bonding and the regulations under which spirits are kept in bond and the operations that are allowed there, and the supervision of the Revenue officers, I take it that the statement made by Mr. Tedder yesterday is accurate as representing what happens at the Customs too?—They are precisely the same.

320. Then as to points connected with the public health and the Merchandise Marks Act, the Customs have definite functions in those connections, but the Commission understand that another witness will come from the Customs, a member of the Board, who will give evidence on those points, so that the Commissioners will not trouble you on them?—That is so.

321. Perhaps you would begin by telling us what are the different sorts and descriptions of spirits that are imported from abroad?—Mainly brandy, rum, Geneva, imitation rum, and unenumerated spirits.

322. What do you mean by unenumerated spirits?—Liqueurs, cordials and plain spirits.

323. Unenumerated spirits, I think, means spirits that have no specific names, such as rum or brandy?—Yes; spirits which have no specific tariff rating.

324. Unenumerated spirits of what sort?—Chartreuse, Benedictine, Curacoa, and that kind of liqueur or cordial.

325. Perhaps you would begin with brandy?—The duty on brandy is 11s. 4d. a gallon imported in cask, and 12s. 4d. a gallon imported in bottle.

326. Per proof gallon?—Yes. The great proportion of brandy comes from France, but we also get small quantities from Spain, Egypt, California, and Australia.

327. There being no legal definition of brandy any more than there is a legal definition of whiskey?—That is true, but the officers never question it unless from the strength, the colour, or the taste, they have any suspicion that it is not the ordinary brandy of commerce, in which case they submit a sample to the analyst, and finally to the Board for their decision.

328. That is on importation?—Yes.

329. Does that cover all you have to say about brandy?—Yes, those are the main items about brandy.

330. Then rum?—Rum is the same duty, 11s. 4d. in cask per proof gallon or 12s. 4d. if imported in bottles. A great deal of rum comes from the West Indies, Mauritius.

331. It always comes from sugar-producing countries?—Sugar-cane-producing countries.

332. And it is made there?—It is made there from the sugar cane. We also have imitation rum chiefly from Germany, but it has to be so described on importation.

333. That is plain spirit made in those countries and flavoured to represent rum, is it not?—That is so.

334. It is sometimes flavoured with essence of genuine rum made in rum-producing countries?—In all probability. Of course, we have no means of ascertaining that thoroughly.

335. Then Geneva, which is gin?—Yes.

336. Is Geneva and gin the same thing?—Yes, it is imported mainly from Holland.

337. What is the difference between Hollands and gin?—I do not know that there is any difference in manufacture.

338. It means gin imported from a particular place?—From Holland. That is the main country of importation for Geneva.

339. (*Mr. Horace T. Brown.*) It is known as Hollands?—Not necessarily, all Geneva which comes from Holland is known as Hollands, but that is a common name for gin imported from Holland also.

340. (*Mr. Guillemard.*) Then we come to the unenumerated spirits. They form classes, do they not?—No, except that they are sweetened and unsweetened, and they can be entered by the merchant to be tested for the actual proof strength of spirit in them, or they can pay the higher rate of duty of 16s. 4d. a gallon without being tested.

341. That is the sweetened?—Yes.

342. (*Mr. Horace T. Brown.*) What is the duty when distilled?—11s. 7d. in cask, and 12s. 7d. in bottle.

343. (*Mr. Guillemard.*) Is there a class of spirits called perfume spirits imported?—Yes, such as eau-de-Cologne and Florida water.

344. Not potable?—Not potable in the strict sense.

345. I think you can hand in a table of the quantities and the declared values of spirits imported, say, for the last ten years, showing the countries from which it is imported and any similar tables for re-exports?—I have that information for the last ten years. (*See Appendix C.*)

346. Now we have got the classes of spirits, perhaps you can tell us shortly what the procedure is when the spirit reaches this country. I think you call that stage the stage of report and entry?—The master of every vessel on arriving in this country has to report the whole of his cargo. Of course, if spirits be part of the cargo, he would report them, and then before conveying to the warehouse at which it is intended to

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warehouse them an entry has to be submitted giving the description of the spirits. I have the form here.

347. He would describe them as belonging to one of the classes you have mentioned?—Yes, giving the description in accordance with the tariff rating. (*Specimen form handed in.*).

348. When you have got your spirit described in these proper classes how do you ascertain the amount?—By a system of gauging. This is a practice which has been in existence for a great number of years at the Customs. The contents and the actual quantity of spirit in the casks is obtained by means of measurements by certain rods having mathematical lines of figures.

349. That gives you the amount in the cask?—That gives the number of gallons in the cask.

350. Then the next thing is the calculation of the strength?—A sample is drawn from each cask. Ordinary spirit imported is tested by Sykes's hydrometer for the hydrometer strength.

351. Is that the same procedure as Mr. Tedder described yesterday?—Exactly the same, and in the case of obscuration it would be dealt with in exactly the same way as Mr. Tedder has described.

352. Then he really has covered that ground?—Yes.

353. Then after that the spirit passes into a bonded warehouse, and there, I think, Mr. Tedder's account was very full, and it covered the ground?—The operations in Customs warehouses are exactly the same as those in Excise warehouses. We are governed by the same code of regulations.

354. Then they go through the Customs warehouse, and when they leave the Customs warehouse and duty is paid they pass out of the Customs control altogether?—We have done with them.

355. And they come, so far as they are supervised at all, under the control of the Inland Revenue Department after leaving the bonded warehouse, as Mr. Tedder described yesterday?—They are liable to be called upon for the permit.

356. (*Dr. G. S. Buchanan.*) The spirits that are imported and are entered in the ship's report that you have mentioned, would be entered, I take it, under the name of the actual spirits that were concerned?—Yes.

357. You mentioned Curacoa, and so on?—Not necessarily the unenumerated spirits. Brandy would be called brandy, and Geneva Geneva.

358. The names in which they would appear in the ship's report would not necessarily be the same names as those in which they appeared in your classification, would they?—That is true.

359. Practically you would take the description in the ship's report and put it under one or other of your recognised heads?—That is so.

360. You told us about the different countries from which brandy might come. Would any brandy that was imported be marked as brandy, and would it have to be marked on the casks or on the bottles?—Not necessarily.

361. If it was marked on the casks or on the bottles would the country of origin have to be shown?—That will be dealt with by another witness.

362. Then I will not ask you anything about the marks. And in the same way with regard to the distinction you mentioned between rum and imitation rum, should I ask you or the other witness as to what is the circumstance that guides you in that classification? Is it the country from which the rum has been imported?—That is so. In the case of spirits entered as rum from countries in which the sugar cane is not produced, the importers are required before the entry is finally accepted and acted upon to produce the bill of lading from the original port of shipment, and certificate of the landing at, and exportation from, the port of transhipment or exchange.

363. Are you concerned at all in your Department with the exportation of spirits?—Oh, yes, we have to do with the exportation from the bonded warehouses.

364. In Customs bonded warehouses are spirits bottled for export?—Oh, yes, frequently.

365. Those spirits which are so bottled in the case of British spirits have in many cases been in bond throughout, have they?—They would have been removed from the distillers to the Customs warehouse in the first instance before bottling.

366. Have you any concern in the description which is given to British spirits when they are sent abroad?—No, we do not interfere with that at all.

367. Or with the declarations that are made by exporters as to the character of the spirits going abroad?—We have no control over that.

368. They come to your knowledge, I suppose?—That would be a matter for the indoor department where the declarations would be made.

369. For the purpose of preparing lists of exports from this country I presume some sort of classification would be necessary?—A return of all goods in vessels outward bound is to be made within six days, and that would be forwarded to the Customs authorities.

370. Would the word "whiskey" ever be used in connection with any of those classifications, or would they be all plain spirits?—British plain spirits only.

371. (*Dr. Adeney.*) You mentioned just now that sometimes you have occasion to get analyses made. I take it that that is only to determine the alcoholic strength?—It is to obtain the percentage of obscuration caused by matter in solution which is then added to the hydrometer strength, and also to determine how a doubtful article should be classed.

The witness withdrew.

Mr. A. M. Bramall.

Mr. Arthur Mellor Bramall, called.

(*Chairman.*) It may be well to explain that the Commission wish to hear both sides of the case that was presented at Islington and the Clerkenwell Sessions, out of which this Commission has probably to a great extent arisen. This witness now at the table will put the case which was presented on the part of the prosecution, and immediately his evidence is over a professional gentleman will put the case presented on the part of the defence, so that both sides of the case may be heard.

372. You are a solicitor, I believe, practising in the City of London?—Yes, that is so.

373. And you are also the standing solicitor to the Islington Borough Council?—Yes.

374. Your attention has been directed to the proceedings which have had to be taken from time to time, under the Food and Drugs Act of 1875, and also the Public Health Act of 1891?—Yes.

375. In 1904 was the attention of the Islington Council directed to certain sales of whiskey?—Yes.

376. And were you directed to make inquiries, and to advise as to what proceedings should be taken?—I did not make inquiries at that time as to what whiskey was. That was done largely by the medical officer.

377. But were you directed to put those inquiries in motion?—Yes; certainly.

378. Dr. Teed was your public analyst?—Yes.

379. Was the result of what was determined upon that two samples of whiskey were bought—so-called whiskey—one from a licensed victualler and one from an off-licensee?—Yes. I may say, my lord, that 15 samples were taken, altogether haphazard, in one particular part of the borough, and of those 15 one only was found to be genuine.

380. You must not use that word at present. You should rather say, came up to your standard?—Came up to our standard. In two cases we considered the adulteration was so slight that it was determined not to

take proceedings, and 12 summonses were issued, of which two were taken as test cases.

381. I do not know whether there is any objection to mentioning the names of these persons. The licensed victualler was Mr. Wells, and the off-licensee was Mr. Davidge?—Yes.

382. In order to ascertain what were the facts, I suppose, you had to cause purchases to be made through your officer?—Yes; through the inspector.

383. In the case of Mr. Wells, the licensed victualler, his was the sale of so-called Irish whiskey?—Yes.

384. The off-license sale was with regard to Scotch whiskey?—Yes.

385. Take Mr. Wells' case first. What was the purchase there?—It was Irish whiskey, and it was one pint, and the price charged was 2s. 4d. That would give a price per gallon of 18s. 8d. It was sold 25° under proof, and that would be equivalent, if the spirit had been proof, to 24s. 11d.

386. Take the 11s. off?—Take the 11s. off for the duty, and that would mean 13s. 11d. per gallon for proof spirit.

387. That was the retail price the licensed victualler charged?—That was the price he charged.

388. Had you any evidence as to what was the cost of that Irish whiskey to the producer, when selling it from the distillery?—Oh, yes. The defendants gave evidence of how the whiskey had been mixed and blended, where it had been bought, and what it had cost them. They called the wholesale people.

389. Where did it come from?—It came from Messrs. Kirker, Greer and Co., of Belfast.

390. Did they send it direct to the licensed victualler?—They sent it direct to him. I think it came to the docks here, and then their London house sent a cart for it.

391. Now, as to the cost?—They had bought it from two places. It was, according to their account, 90 per cent. of patent still spirit—made in Belfast, I suppose—which had cost them 1s. 3d. a gallon, and 10 per cent. of pot still spirit. I do not know the price of that pot still spirit, and I do not think it was stated.

392. It would be a higher price, I suppose?—It would be higher, certainly. That was mixed or blended in Belfast.

393. 90 per cent. of the patent still spirit and 10 per cent. of the pot still spirit, blended and made into the compound?—Yes, in Belfast.

394. It was sent to Mr. Wells, or through someone to him, and there was no change in it, was there?—No; none at all.

395. Do you know what price was charged by the Belfast distillers to Mr. Wells?—10s. 4d. a gallon, duty paid, 24 under proof.

396. Then you must take the 11s. off?—Not 11s., because it was under proof.

397. It is 8s. at 75 per cent.?—I take off 8s. 3d., and that would leave 2s. 1d.

398. I am sure you will be careful only to state those facts which were proved by the defence?—Yes; they were proved by the defence. I have the invoices here that were produced, and I have taken the price from the invoices.

399. What was there, by way of statement, on those bottles—still keeping to Wells' case?—There was no statement on Wells' bottle. There was no label on at all.

400. What were the instructions given to your officer? What was he to ask for?—He was to ask for Irish whiskey.

401. Without any description beyond that?—Yes; simply Irish whiskey.

402. Of course, the 90 per cent., according to you, is patent still whiskey?—Patent still spirit.

403. I will not say I accept your judgment on that question; but I was going to ask you, do you say that is whiskey or not?—We say it is not.

404. That is your contention, right or wrong?—Yes; that is our contention, right or wrong.

405. It is made in Ireland?—It was made in Ireland, probably.

406. Of what material, as far as you know?—I think it was stated—this is what they said, and we could not check it exactly——

407. When you say "they," whom do you mean?—I mean the distillers, Messrs. Kirker, Greer and Co.

408. All this is in print, if necessary, and you can refer the Commissioners to it?—Yes. It was distilled from a mash consisting of malt, 27·19 per cent.; rye, 37·23 per cent.; and maize, 35·58 per cent.

409. I suppose, as to the 10 per cent. pot still, you have no care about that?—No; that did not transpire. We did not trace that. It was, no doubt, pot still whiskey.

410. I think that traces through Mr. Wells's sale?—Yes.

411. Now will you come to the case of Mr. Davidge?—Mr. Davidge's sample was bought from Messrs. Stevens, Buer and Co., 27, Mincing Lane, London. It was bought without any description of quality on Mr. Davidge's part, but simply according to the price, so much per gallon. It was invoiced to him as "One octave fine Scotch whiskey 35 per cent. under proof." This spirit was mixed by Messrs. Stevens, Buer and Co. themselves in Mincing Lane.

412. Did they carry on the business generally of blenders?—Wine and spirit merchants, but I imagine they do blend themselves. They did in this case at any rate.

413. That would be quite consistent with a wine merchant's business—there is nothing objectionable in it?—Oh, no. They obtained the patent still spirit or the grain spirit from the North of Scotland Distillery, and the pot still with which they blended it in the same proportions of 90 per cent. of patent still and 10 per cent. of pot still whiskey they said cost them 2s. 8½d. a gallon. I do not think it was stated what the patent still spirit cost them.

414. That is an important point—that is 90 per cent. of patent still spirit again?—Yes.

415. Was there no evidence of what the patent still spirit cost?—Yes, I find I have got it—1s. 1½d. a gallon, and they watered it down to 33 per cent. under proof. The cost therefore if you take the one-tenth of the pot still, and the nine-tenths of the patent still and then water it down would be 10¼d. a gallon, without duty of course. The pot still spirit was distilled in 1901 according to the invoice. This was purchased in 1905 so that the pot still spirit was then 4 years old. The grain spirit was 6 months old at the time it was sold to Davidge. It was sold and invoiced as "Grain aqua," and I ought to have said in the Wells' case the patent still spirit was not invoiced as whiskey, but it was invoiced as "patent still spirit."

416. That was according to the fact?—That was the invoice sent to Messrs. Kirker, Greer and Co.

417. That is quite right—90 per cent. was patent still spirit?—Perfectly right. I mentioned it to show that in the trade it was called patent still spirit and was not called whiskey in the invoice.

418. It was invoiced as patent still spirit according to the facts?—Yes. The grain aqua was said to have been distilled from 25 per cent. of malt and 75 per cent. of Indian corn or American maize, which is the same thing. It was 6 over proof when sold to Messrs. Stevens.

419. I do not think we have got the price of Davidge's?—No; it was sold at 9s. 4d. a gallon. It was 33 per cent. under proof, and the duty would be 7s. 4d., so that the price to Davidge without duty would be 2s.

420. And he sold at what?—He sold it for 15s. a gallon as it was—33 per cent. under proof. He paid 9s. 4d. and sold at 15s.

421. That would be fair I suppose. There is no complaint as to the profit?—No.

422. What were the marks upon Davidge's bottles?—Davidge had, I suppose, put a label on—"Fine old Scotch Whiskey." I have the bottle here if you would like to see it.

423. You might as well produce it?—*This* was 90 per cent. of it a year old. (*Producing bottle.*)

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424. When it came to Davidge would it come in bottles or casks?—It came in casks, I think.

425. Then he would bottle it?—I think so. That is the original bottle in which it was sold and has the label upon it "Fine old Scotch Whiskey." The invoice is "One octave," so, I suppose, that would be a cask.

426. What is "The Golden Lion Brewery"?—That is what he calls himself.

427. It is said to be 33 per cent. under proof?—Yes. They under-stated it because it was 31. There was no dishonesty about that. It was perfectly fairly sold.

428. These are the bare facts of the purchases and of the materials of the two purchases that were made?—Yes, my Lord.

429. Upon ascertaining these facts I believe the Council were advised that it was their duty to take proceedings?—Yes.

430. Were those proceedings taken under the Act of 1875?—Yes, under section 6 of the Act of 1875.

431. And proceedings were in the first instance taken before the learned Stipendiary Magistrate, Mr. Fordham?—Yes.

432. You appeared on behalf of the Islington Borough Council?—Yes.

433. I believe you had a very substantial array of counsel against you?—Very formidable indeed.

434. Mr. Fletcher Moulton and others?—Yes, Mr. Fletcher Moulton, Mr. Walter and Mr. Lane.

435. Mr. Fordham convicted?—Yes, in both cases.

436. Then there was an appeal to the magistrates at Clerkenwell?—Yes, at Quarter Sessions.

437. And there, counsel had to appear on both sides?—Yes.

438. The Court were equally divided in numbers so there was no conviction?—That is so.

439. The matter therefore stands on the views of Mr. Fordham, and the appeal was not successful against him?—The appeal was abortive.

440. It was not renewed in consequence of these proceedings?—That is so.

441. I want to know from you how you presented your case. In the first place can you hand to me a copy of the summons?—I have the summonses in both cases.

442. I suppose they are exactly the same?—There is a little difference in the definition of the two spirits. (*Copies of summonses produced and handed in.*)

443. "That you did by your agent sell to George Payne to the prejudice of the purchaser a certain article of food and drug, to wit an alcoholic liquor, which was not of the nature, substance, and quality of the article, to wit Scotch whiskey, demanded by the purchaser, the said article so sold consisting entirely of patent still or silent or neutral spirit—not whiskey." That was the substance of the charge in both cases?—In both cases, yes.

444. You had charge of this case?—Yes.

445. In order to support that summons, what was the case that you presented, and what was the theory of it? What did you state was this compound that the purchaser bought?—I said that taking Wells' case first, which was the Irish whiskey, that Irish whiskey had been asked for and that Irish whiskey was a spirit distilled in a pot still from malted and unmalted barley with small permissible additions of wheat, rye, or oats, or any of them, that is grain indigenous to Ireland, and, of course, distilled in Ireland. Even if you had these materials you could not distil Irish whiskey in London on the ground, among others, as to the geographical description that the Irish water is a material thing to consider in the production of whiskey, or, indeed, of any spirit, but as this was largely—we said entirely—spirit distilled in a patent still largely from rye and maize, the maize and the rye probably coming from America—the maize certainly—that it did not come within the definition of Irish whiskey, and that the purchaser was prejudiced. You have to prove under Section 6 that the purchaser is prejudiced because he had got a much cheaper article than he had asked for, a much less well-flavoured article, a different article, and one that in many respects was inferior.

446. Let us go by steps to your definition. In the first place, as to this being Irish, and as to it being sold as Irish, you could have nothing to say because it was made in Ireland?—When I opened the case I did not know where it was made.

447. But you have got it now?—Yes, I admit that.

448. Had you anything to say as to the inferiority or otherwise of the ingredients that were in the patent still compound?—Yes, the maize and the rye.

449. Was that in contrast with what you said ought to be malt?—Malt and unmalted barley with small additions of other grains.

450. You used the phrase "definition of whiskey." Where do you get that definition from?—The difficulty one has in the Sale of Food and Drugs Act is the absence of any legal standard for the great majority of articles of food. Drugs are defined by the British Pharmacopœia, but the want of a standard had led us often into serious difficulty and serious expense, in endeavouring to form a standard, and we had to form or ask the magistrate to form a standard upon the evidence given to him. We had formed our own idea of what the standard should be largely on the definitions that had been given in evidence before the Committee of the House of Commons in 1891, in which I am right in saying that all the witnesses who were not trade witnesses adopted very much our definition, or rather we adopted very much their definition of what Irish and Scotch whiskey ought to be.

451. First I understand you to say the ingredients should be of malt or unmalted barley?—Yes, that is the greatest proportion.

452. The main ingredient?—Yes.

453. Now you also have a second requirement that it should be pot still instead of patent still?—Yes.

454. Pot still has existed from all time in connection with the manufacture of whiskey?—Yes, for centuries.

455. Before the Monopolies Act?—Yes.

456. And the patent still was patented by a man of the name of Coffey in the year 1830?—1831, I think it was, as a matter of fact.

457. And has it been employed very much since?—Yes, but not for the production of a potable spirit for many years after that. Perhaps I may go into that later.

458. You may go into it now. When was it that the patent still of Coffey came into operation for potable spirits?—Perhaps I am wrong. The original patent in 1831 was not for the production of patent still spirit. I have the original specification here.

459. I do not care for the exact particulars. How many years has Coffey's patent been used for the manufacture of potable spirit?—In various forms, not in the form you see it there. Since 1831 no doubt it was introduced into common use very soon afterwards, but the idea of making whiskey from it is, I believe, quite a modern idea.

460. Is it 40 or 50 years?—No, not so long as that, I should think. It is difficult to tell when it began. Probably it began more or less without it being known. It is a practice that has grown up, and, of course, has very largely increased.

461. Your view is, that the term "whiskey" by itself might well be applied to all these substances that you have had to deal with?—Yes, if made in a pot still.

462. And it may be inferior like the Bourbon whiskey?—Yes.

463. Bourbon is foreign whiskey for the most part made almost entirely from maize, or, at all events, with no malt and mainly, perhaps, I should say, from maize and rye?—Chiefly from maize. I do not think it is made from rye.

464. You would not object to that being sold as whiskey?—Oh, no.

465. A good many persons, the ordinary public, purchasing would ask for whiskey generally, would not they—some say "Scotch" and some say "Irish," but a good many people would say "Give me a glass of whiskey"?—If you ask for whiskey the barman generally asks you whether you would like Irish or Scotch.

466. That is if they have both in hand. But supposing a man went in and said: "I want whiskey," and

the tradesman chose to give him this Bourbon whiskey, this maize whiskey, according to your view that would not be an infringement of the law as it now exists?—I think not. I do not think the purchaser would drink it. He would know directly he was not getting what he expected from the taste.

467. *A fortiori* the patent still spirit would fulfil the name of whiskey as much as pot still spirit?—I think not.

468. If Bourbon whiskey was sold under the name of "whiskey" generally, why should not patent still whiskey be sold under the name of whiskey?—Because the Bourbon whiskey made in the pot still preserves the flavour that would come from the maize, but putting maize through a patent still the flavours practically go. You have got more or less a silent spirit.

469. Then what does it become?—It becomes largely alcohol and water.

470. Does your view go to this extent, that it would not fulfil the name of whiskey at all?—Not at all.

471. Does that refer to all patent still whiskey?—To all patent still spirits.

472. You say, therefore, that no patent still manufacture can fulfil the name of whiskey?—Certainly.

473. We know there have been enormous quantities of this patent still whiskey manufactured and sold?—Yes.

474. Do you think an ordinary customer would tell the difference between the patent still whiskey and the pot still?—Do you mean the unmixed patent still as it comes from the still?

475. Take that first?—I think he would, certainly.

476. Can you describe in what way it would differ from the pot still as to flavour?—It is very difficult to define flavours. It would have none of the taste of whiskey in it. It would taste like spirits of wine.

477. Why is it that the patent still should produce such a very marked difference in the result?—The method of distillation in the patent still was intended to do that.

478. What is the method?—I do not know if you would like to have the model of the patent still brought forward?

479. Yes, I think it would be convenient. (*The model of the patent still produced.*)?—You ask me why I made that statement about the patent still. First of all, to differentiate it, in the pot still practically the whole of the volatile elements come over together and go into the same condenser and are condensed together. May I say in addition to the ethyl-alcohol, which, if you will allow me, I will call alcohol simply—if I mean any other kind of alcohol I will give it a separate name—but ethyl-alcohol and water are common to all spirits of every kind, and form by far the largest proportion of the elements of which the spirit is made up. I think 99·75 per cent. of every spirit is alcohol and water, but the remaining one-quarter per cent. is what I call the secondary products of the substance, the wash distilled, which differs according to the materials from which the spirit has been distilled. I mean it is that quarter per cent. which distinguishes brandy from whiskey and whiskey from rum. It consists chemically of the higher alcohols, that is, alcohol boiling at a higher point than ethyl-alcohol, aldehydes, furfural, ethers, and acidity. Those five things are what I venture to call the secondary products. The French call them impurities, that is, they were impurities in pure alcohol, but I think it is a misleading term for this purpose, because they are the very things which distinguish whiskey from any other spirit.

480. It strikes an ordinary person that it is strange that this quarter per cent. of the secondary products should produce such a marked alteration?—It is strange.

481. Where does that come from?—I do not think anybody knows.

482. How are those products produced?—In the distillation in the pot still.

483. Does it depend on the product that has to be distilled?—Yes.

484. Therefore you get a different secondary product from barley or from the malt than you would get from the maize?—Yes, quite different.

485. How is it that one produces brandy and the other rum?—Brandy is distilled from the grape, and therefore you have in the brandy the secondary products of the grape, and they differ in proportions among themselves when they are derived from brandy from the proportions when they are derived from malt, but the same chemical elements are there, and, if I may venture to say so—it is perhaps going rather further than I ought—whether it is these things to which the chemical names have been given or whether it is some substance that chemists have not yet been able to identify or to describe which gives the flavour to the spirit, I think is not quite known; but this, I think, is certain, that if you eliminate the secondary products you eliminate the flavours and the bouquet, and the only thing that differentiates one kind from the other, so that if you eliminate, as you do for the purpose of making gin, the secondary products, you get pure alcohol, and it does not matter what materials it comes from. The pure alcohol derived from the grape is just the same as the pure alcohol derived from the barley, if you eliminate the secondary products.

486. In what shape do these secondary products show themselves if you analyse? Are they demonstrable?—Yes, I think so. I do not like to speak about it, but they will answer to the tests. I can give them to you, but it would simply be second-hand. All these elements are found by analytical tests.

487. We were upon the patent still?—I wanted to say how the patent still has the effect which we say it has. The main principle upon which the patent still works is that these things are evaporated at different temperatures and therefore condense at different temperatures. The ethyl-alcohol condenses, I think, at 172° or 173°—I am afraid to mention these figures in the presence of these gentlemen, but I think that is substantially right.

488. You can do it without prejudice?—I hope I shall be corrected if I am wrong. 212°, as you know, is water, and roughly the higher alcohols evaporate at a higher temperature than water, and therefore condense at a higher temperature than water. I have got it from books I have referred to that the higher alcohols (there are four or five sorts of them) evaporate at from 270° F. to 278° F. That is not an exhaustive statement, but I think it is practically right. The ethers are very volatile indeed, and they evaporate at about 94° F.—very much less than alcohol. The aldehydes vary very much, but all are more volatile than ordinary alcohol, and the furfural is very, very much higher in its boiling point—it is 325°. So that you have all these things evaporated, and therefore condensing, at different temperatures. The patent still is constructed to condense these various substances at their respective temperatures, and to separate them, and, to distinguish between the pot still, where they all go over together and are condensed together, in this still they are condensed separately, and go into separate receptacles. It is worked in this way. *This* is the analyser and this is the rectifier (*pointing on the model*). In this the evaporation takes place, and there is this marked difference between the pot still and the patent still: the pot still is almost always heated by direct fire heat. Mr. Tedder, I think, said there was a steam jacket occasionally used, but it is exceedingly rare. There may be one or two in Ireland and not more, but the steam jacket is outside the pot still, and the steam never comes into direct contact with the materials to be distilled, and with the evaporation that comes from those materials. In this rectifier the heat is given by live steam which is introduced actually into the analyser itself; the steam actually comes in and the heat of the steam evaporates the various volatile substances in the wash and comes over this pipe here, the vapour of water together with all the vapours that have been volatilised by the heat. Of course I know nothing of this myself, but it is stated by scientific men that the action of the steam mixing with the volatile elements destroys the ethers, and in consequence that one of the more valuable elements of the spirit that is being distilled is lost. Then the principle is this: I do not, unless you wish, trouble you with the way it is worked, but the patent still is a very big thing. It would not come into this room. It is very high—30 feet high. All the way

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down *here* (*pointing to the rectifier*) there are separate chambers about 1 ft. 9 in. high, or perhaps a little more, separated from each other by a copper plate with small perforated holes. One of the improvements in the patent still is that the wash which has to be distilled is used as the condensing material for condensing the vapours that have already been distilled. It comes in here cold, and then goes backwards and forwards as Mr. Tedder said, but the result of that is, coming in *here* cold and down *here*, meeting the hot vapours that have come in this pipe which comes in at the bottom, the vapours at a very high temperature, the wash as it comes down zig-zagging backwards and forwards is gradually cooled, and gradually deprives the vapours of their heat, and so condenses them. This chamber up *here* is the coolest, and this chamber down *here* is the hottest, and as the vapour gradually ascends up this rectifier it is meeting in each chamber a slightly greater degree of cold than it had met before, so that the elements that condense—water, for instance—at a lower temperature than ethyl-alcohol as the vapours ascend, gradually are condensed, and then fall down through pipes which there are in each of these plates till they get to the bottom and run out into a vessel *here* coming out of the bottom, so that by the time the vapours have reached this point (*pointing to the spirit plate*) everything that condenses at a higher temperature than 178° or 172° has already been condensed and dropped down and come down *here*. *This* is what is called the spirit plate—*that* is the spirit pipe, and it is so arranged and is so worked, if properly worked, that the temperature when the vapours reach this plate, is just the temperature at which ethyl-alcohol will condense, everything that condenses at a higher temperature having already become liquid and gone down. *This* is what is called a spirit plate here, that has no holes, and has a ring for the collection of the spirit, and as the ethyl-alcohol vapour reaches that plate it is condensed, becomes liquid and runs down that pipe into this vessel *here*.

489. I do not understand whether this explanation you are giving us is to account for the fact that the taste would go out of the patent still whiskey if there is no blending?—Yes.

490. You say it is the process that does it?—Yes.

491. It takes the spirit out?—Yes, apart from the secondary products.

492. And whether he knows it or not the customer is drinking something which is a temperance liquid?—No, he is drinking alcohol.

493. I understood you to say that this took the spirit out of the alcohol?—But the alcohol that is taken out is the thing that is sold as patent still spirit.

494. Is that pure alcohol?—No, not quite, but it is very near it.

495. I want to understand what this is that is obtained. Do you say that it is injurious to health at all?—It is a question, of course, whether any alcohol is not injurious to health.

496. Some people say it is, but apart from that it is more injurious than whiskey?—Yes, I think so.

497. In what way?—I think that the taste for pure alcohol is more or less a morbid taste. You have not got the flavour.

498. I put it, injurious to health?—Yes. The evidence was, that a man would drink more of the patent still spirit than he would of genuine whiskey. He would not feel that he had the substance, or the taste, or the flavours.

499. And he would not get any forwarder? — He would not get any forwarder.

500. I should think that means that there was not so strong spirit in it?—It does not depend on the strength of the spirit. The strength of the alcohol, which is meant by "strength," can be strong or weak, and yet it is patent still or pot still spirit.

501. That may be so; but I am speaking of the customer, the person who drinks. On which would he get drunk sooner?—I think he would get drunk sooner on the patent still spirit.

502. Why is that?—It is very difficult to say, chemically or medically. I do not know why it is. You are drinking pure alcohol, which is an intoxicating thing, and you have eliminated the flavours.

503. I am talking of the health of the man, and the effect upon him. I do not quite see why it is, after your explanation, that this patent still spirit should produce more drunkenness than the other spirit?—It is difficult indeed to say. I do not think anybody can tell you why. I think it is probable that he would consume more.

504. He does not get any forwarder if he takes another glass?—My own impression is—I may be quite wrong—that the alcohol without any qualification is more likely to take effect on the man's system than alcohol plus the products of whiskey or brandy—that is, you have got the spirit of wine alone, without anything with the spirit of wine, which possibly may help the system to assimilate.

505. But, apart from this temptation to drink more, if a man drank one glass of the pot still whiskey and one glass of the patent still whiskey, which do you say would have greater effect on him, in the direction of drunkenness?—I think the patent still; but I do not speak with any confidence on it.

506. Would it be injurious to his health if he did not take too much?—No; not if it was made from good materials.

507. Assuming equally good materials?—Assuming equally good materials, I do not think it would be any injury to health; but the medical evidence called was that if the spirit was being given medicinally the benefit would not be derived from patent still spirit—that is, the more or less pure alcohol—which would be derived from the whiskey with the secondary products.

508. That was the medical evidence—that it did not pick a patient up?—Yes; it did not have the effect.

509. The doctor said the patient looked as if he had had no spirit at all?—Yes.

510. In your evidence that you have placed before us you state the fact that the patent still spirit is much cheaper to manufacture than the pot still whiskey?—Very much cheaper.

511. Why is that?—Partly because the materials for the pot still are more costly.

512. Is that barley as against maize? — Malted barley, certainly. Of course, you have the extra expense of malting in an all-malt mash, and, I suppose, the prices of grain vary. Occasionally maize may be as expensive as barley; but, on the average, I should say that English, Scotch, or Irish barley would be the more expensive ingredient than maize would be. Maize would be cheaper on the whole, and you avoid the expense of malting to a large extent, and then this process is very much cheaper. In fact, no sane man would use the pot still if he could get the same results with the patent still. *This* (*referring to the patent still*) is a continuous process which is going on automatically. With a pot still you have to draw the fires when you have finished your distillation, and let the still get cold, and then heat it again. I think it was said by Mr. Fletcher Moulton that the consumption of coal in the case of the patent still was about one-fifth the consumption of coal in the pot still, though some of the witnesses put the difference at considerably less than one-fifth.

513. That is very important?—That makes a very great difference. Then the labour required is very much less. The distiller stands *here*. He has all kinds of pipes brought down to him. There is a platform about *here*. This is sunk in a pit, as a rule, and various parts of the apparatus are *here*. It is all within reach of his hands, and he can test it and see whether there is too much heat or whether there is not enough heat, or whether the spirit is coming out at the right strength. It is all brought down within easy reach of the practical and skilled distiller, and the labour of a second or third-rate man—that is not the distiller, who is a man of very great importance—is very largely eliminated. You turn on the steam, you turn in the wash, and the thing goes on.

514. The result of that is that it is a cheaper process?—Very much cheaper.

515. And very much cheaper as to coal?—Yes.

516. In Scotland they use peat, do they not, too?—For the pot stills.

517. As compared with the Irish coal, which is the cheaper?—I do not know. I suppose that depends

upon the local conditions. If you have a peat bog near your distillery, I suppose peat is cheaper.

518. There is a good deal of light soil in the higher parts of Scotland and a good deal of barley which would scarcely pass muster in Burton-on-Trent, but is it a cheap barley that they use in Scotland?—I do not think so.

519. It is a good barley?—Yes, but I do not think it is cheap. The greater part of this distillation does not take place in the Highlands proper—what the man in the street would call the Highlands although it may be geographically the Highlands—it is the Elgin and Nairn district, but we should not call it the Highlands.

520. It is very good barley it is made from?—Yes, it is good barley. It is not the barley that grows up on the mountain side.

521. Now I want to go back to your definition. You want Irish and Scotch whiskey to be made in Ireland and Scotland?—Yes.

522. And you will not allow the word "whiskey" to be applied to all materials. You would not allow it to be applied to maize?—Whiskey—yes.

523. But "Irish" and "Scotch whiskey"?—No.

524. Supposing they did in Ireland use maize, why should you not then call it Irish whiskey?—It is not what the public expects and the public would not drink it. It never has been used.

525. It must be because in Ireland they have been accustomed to get something else?—Yes, and also maize is not grown in Ireland to any commercial extent.

526. But if it was, probably they would use it?—They have tried to grow it and have failed. It will not ripen in Ireland.

527. It could be sent over?—It could be sent over from America, and is sent over, but you cannot grow it with any success in Ireland. You can as an experiment, of course.

528. Now let me come to the second portion of your definition. You say that in order to constitute Irish and Scotch whiskey that compound must be made in a pot still?—Yes.

529. Where do you get that from?—I can give you the reference to the definitions in the evidence before the House of Commons Committee.

530. Let us have that one first?—Sir Algernon West, who was then chairman of the Board of Inland Revenue, practically gave that definition. I have had got out the material parts of that evidence, and I can hand them in.

531. Sir Lyon Playfair was the chairman of the Committee?—Yes. The Secretary has the report, and I can refer you to the numbers of the questions. If you look at question 11 you will see: "Is it the fact that the whiskies are chiefly made in pot stills?—Chiefly, but I will give the figures later on if you will allow me. Perhaps I may first give the two other divisions into which spirits may be divided. The second is that which is passed through the patent still." Then question 41: "Will you tell us what is your definition of whiskey?—There is, as you know well, no legal definition of whiskey, but broadly speaking it is made from malt or malt and grain, and is distilled in pot stills."

532. Then question 42: "That is what you usually accept as the definition of whiskey?—The term 'whiskey' is also applied to spirits distilled in the coffey or patent still. Spirits produced in patent stills, as I have already said, are distilled at very high strengths to 70 over proof, and of great purity." That is rather the contrary, is it not?—I think not. He said: "Broadly speaking it is distilled in pot stills," and then he says: "That is what we usually accept as the definition of whiskey, but the term 'whiskey' is also applied"—not by him I think, but by other people.

533. He is not the creator of terms. You must take the public terms?—But I think he means applied by the traders.

534. He was there as an official standing between the public and the trade?—But will you allow me to go on to No. 44. He is speaking there of the product of the patent still: "In fact, almost alcohol and water?—Yes. It is a silent spirit." Then if you look at question 185 on page 9: "Do you think the very name of whiskey has not come now to be applied generically so as to, I would not say, deceive, but to mislead?—Certainly."

535. But for what reason is that?—That has been the practice of the trade, I suggest.

536. Look at 181?—He is complaining of it being represented as being blended under the superintendence of Her Majesty's Inland Revenue when it had not been. Then at question 195 he is being asked about the materials apparently, and he says: "I will say potatoes or Indian corn"—that is maize—"if it was called whiskey at all I should think it unfair to the purchaser."

537. Your Bourbon whiskey would come under that?—It would. But he was probably dealing with English spirits, because that was a term of the reference to the Committee.

538. I am dealing with what he says: "If it was called whiskey at all I should think it unfair to the purchaser." Is the Bourbon whiskey a very inferior affair altogether?—It is very different in taste. It is very bitter.

539. And you would know it at once?—Oh, yes. I hope, if you will allow me, to put in some samples of Bourbon whiskey.

540. Have you any other references to Sir Algernon West's evidence?—No, not as regards definition. Then there was Mr. John Molyneux, who was Chief Inspector in the Excise. He held the position then that Mr. Tedder holds so well now. On page 21, answer 407 (this is rather perhaps going to another point of the wholesomeness), he says: "From the point of view of the trade is a glass of German spirit or a glass of silent spirit as wholesome as a glass of old malt whiskey?—I think it is not so wholesome in the general opinion, certainly."

541. We have not heard anything about German spirit?—I think you will.

542. Have you anything to say about it?—Yes, I should like to say something.

543. It would be convenient if you would say it now?—May I say shortly that German spirit we believe—I cannot say with any definiteness—is imported, and then is used for blending and mixing with whiskey and brandy and then is sold as Irish and Scotch whiskey and brandy. May I say that in the brandy prosecution, which also I had the privilege of conducting, this very patent still spirit made from grain was used for the adulteration of brandy. We had a conviction there, and that really led up to the whiskey prosecution. It was the first thing that called our attention to it, that this patent still spirit was used for mixing with brandy and producing a spurious brandy.

544. At present we have not proof of this German spirit, and you very properly say you are not certain about it?—No, but I hope I may be able to bring proof or suggest where proof can be obtained. I had to qualify it because I had not any proof myself.

545. Have you anything else to refer to in this Blue Book?—Yes, there is a definition, I think, at page 24, answer 466. This is still Mr. Molyneux's evidence. "Then in your view whiskey is a term which may be applied to a spirit made from molasses?—No, I think that whiskey, properly speaking, is made from malt or malt and grain mixed together, and distilled in a pot still." Really I do think you get that definition there stated plainly.

546. Certainly you get it there direct. You think that when the witness says "distilled in a pot still" he was putting it in contrast with patent still?—Yes, I think so. He had been talking of the patent still higher up. Question 409 rather indicates that, I think.

547. 467 does not make the distinction in the cost. It only makes the distinction in the material?—409 rather suggests it. I am sorry I have not a complete copy of the Blue Book, but only extracts, and I am a little diffident about it without having the full copy before me. He says at 409: "And whatever chemists may say the trade are prepared to pay a much larger price for a sound malt whiskey than they would give for what chemists tell you is a pure alcohol."

548. That is not a distinction of still?—But the pure alcohol comes from the patent still, you cannot get it from the pot still.

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549. I see what you mean?—I think that indicates what was in Mr. Molyneux's mind.

550. At 411 he is asked: "Then this whiskey, three and four times the price of the so-called pure alcohol, is liable to be adulterated with silent spirit and German spirit." What is the meaning of the terms "silent spirit" and "neutral spirit"?—As I understand it, the silent spirit is called by that name because it does not tell you what it is made from. If you have whiskey or brandy or rum made, as we say it ought to be made, anyone who has the least knowledge on tasting it would know what it would be made from, but if you taste pure patent still spirit only the most expert of experts could tell what materials it had come from. Neutral spirit is called so because it is neutral. There is nothing to distinguish it from any other kind of pure spirit.

551. If you eliminate the bye-products?—If you eliminate the bye-products you come down to the common denominator of all spirits.

552. That is pure alcohol?—It is not really pure alcohol, but practically pure.

553. Have you anything more to say with regard to these definitions?—Will you allow me to call attention to question 469, because it rather bears out what I said, that this blending or the sale of patent still spirit as whiskey was a modern idea. The question is: "That is amongst the distillers?—Yes, and merchants. It is a thing of comparatively modern growth, this blending." Then there is another definition of Sir James Bell, the Principal of the Inland Revenue Laboratory, a very distinguished man, if I may say so of him. At question 840 he says: "Under the head of pot still spirit I include whiskey, brandy, rum, and Geneva or Hollands." I do not think that is very strong. Then at 850 he says: "We are inclined to the opinion that the higher alcohols remain practically unaffected"—that would be, I think, in the pot still. Then at 889: "Now about the patent still or silent spirit, have you made experiments with that?" Then in my copy some few lines down in the answer he says: "The result of the test was a negative one in nearly every instance, and the spirit was found to be practically odourless." There is a great deal there that is interesting, but I do not want to weary you by reading it. Then Mr. Cobden Samuel, who was the Analyst Principal of the Customs Laboratory at page 57, question 1316, is asked about the term "British plain spirit." "Does it not confound together pot still whiskey made from grain, and rectified spirits made by patent stills?—It does; it includes the two, which, in my opinion, are entirely distinct things."

554. What includes the two?—The term "British plain spirit." That is the term that the Excise and the Customs use.

555. What is British plain spirit applied to?—I think Mr. Tedder said yesterday it was applied to every kind of spirit manufactured in Great Britain and Ireland.

556. This criticism simply is that one term is applied to two classes of production?—Entirely distinct things. He says that pot still whiskey made from grain and rectified spirits made by patent stills includes the two, which are entirely distinct things.

557. That is very material. At 1317 he is asked: "They are distinct articles?" and he says "They are distinct articles."?—May I say this without troubling you with references, unless you wish it, that Mr. Samuel describes some very interesting experiments.

558. Who was Mr. Samuel?—The Analyst Principal of the Customs Laboratory. All these gentlemen whose evidence I have referred to were officials. I have eliminated the trade witnesses who might have an interest in giving their definitions. I have taken gentlemen who had an official position quite unconnected with the trade. Mr. Samuel describes some interesting experiments he made on himself. He first of all drank the strongest pot still whiskey he could get—fusel oil, I think—and he found no ill-effects. Then he drank some patent still spirit over a number of days, and he says that headache supervened and tightness across the chest. Then he tried the experiment on his assistant to see if there were any idiosyncracies on his part, and the assistant became so ill that he had to discontinue the experiment in about a week.

559. Perhaps that would deter you from producing the samples?—I am not going to drink them myself. Then he drank a fairly large quantity.

560. Was there evidence given on both sides—contradictory evidence to this view?—Oh, yes, I think so. I am afraid I picked out naturally the parts that assisted me rather than the parts that did not.

561. What was the finding of the Committee upon it?—The finding of the Committee was perfectly colourless on this point.

562. Did they refer to it?—Yes, they did, and I can give you the references. You will find they refer to it at page 4 of the Report in the 2nd Volume.

563. This is the Report of the Committee of 1891: "There is no exact legal definition of spirits going by popular names, such as whiskey, brandy, rum, patent or silent spirits. Some witnesses desired to define whiskey as the spirit made in pot stills, and would deny that name to spirits made in patent stills, even though the proportions of malt and grain used in the production might be the same in both. Some of the distillers from malt desired that their whiskey should be called 'malt whiskey,' though the general name 'whiskey' might be extended to those who mix malt with grain. On the other hand, certain distillers in Belfast and Scotland urged that spirits distilled in patent stills from malt and grain were entitled to be considered as whiskey, that they are used sometimes as such directly, and are now largely employed in blending pot still whiskey"?—They do not lay down any definition. You see they say: "Your Committee do not attempt a legal definition of whiskey. They would refer to the evidence of Dr. Pavy for a general and useful definition of spirits of various kinds, but this is too general for a legal definition."

564. Have you Dr. Pavy's evidence?—Yes, I am going to call your lordship's attention to it, if I may?

565. I should like to see that?—Your lordship knows on this Committee there were representatives of the trades, which I am happy to say is not the case on this Commission. Therefore, you either have to have a minority report, or you would fail to get a report at all, and they seem to have chosen the safer plan of adopting a more or less colourless report to which all members of the Committee could adhere. For instance, there was a distiller on this Committee. Naturally, that would have some effect on the report. Dr. Pavy gives evidence in the second volume. There is rather a good diagram of Dr. Pavy's put in. He begins on page 105, question 3693. Would your lordship look at answer 3700?

566. Who is Dr. Pavy?—He is a doctor of medicine. I do not think he was an official.

567. He has written well-known works on food and diatetics, I think?—Yes. Question 3700: "What would you consider that potable spirits generally may be regarded as consisting of?—As consisting of plain spirit or ethylic alcohol, with flavouring principles constituting the bye-products." Then question 3702: "And that the bye-products which exist by different materials and processes of distillation, give peculiar character to the different spirits?—They give the characteristic qualities to the spirit." At question 3706: "And with regard to the method of distillation, which varies in the case of whiskeys from pot still to patent still, do you think that the method of distillation also affects the bye-products?—It will affect the character of the spirit which is obtained from distillation. That is, in one form of distillation, represented on the left"—he is referring to a diagram. Whether it is algebraic or not I do not know. If your lordship looks at the diagram, on the left hand side is the pot still. That has E plus X representing ethyl alcohols plus bye-products. Then on the right hand side is the patent still in which the bye-products and ethyl alcohol are separated.

568. This is rough, very rough?—Yes; it is diagrammatic only. He is referring to that. Then he says, "That is, in one form of distillation, represented on the left in that sketch on the diagram which is hanging on the wall, the plain spirit, or ethylic alcohol, will come over mixed with the bye-products; but in the other process of distillation a separation is effected, and you get the ethylic alcohol or plain spirit running in one direction and the bye-products

—which give rise to fusel oil—in the other direction. That is to say that, in pot still spirits, the bye-products remain all through without separation?—They remain with the ethylic alcohol; the two go together. But in the case of the patent still spirits they are separated to a large extent, and do not accompany the spirit afterwards?—That is so." Then, 3725: "Now, would you give us a definition of the potable spirit known as whiskey?—I would define whiskey to be a spirit consisting of plain spirit or ethylic alcohol, mixed with the bye-products derived from malt." Then he qualifies that, I think, a little in the next question.

569. "I would define whiskey to be a spirit consisting of plain spirit." Does that mean after it has been passed through the process at all?—*This* process? (*Referring to the patent still.*)

570. Yes?—No.

571. What does plain spirit mean? — He means ethylic alcohol. He says so.

572. (*Dr. Horace T. Brown.*) Pure alcohol?—Pure alcohol.

573. (*Chairman.*) That is obtained by passing it through a process?—If you pass it through the patent still you eliminate the bye-products.

574. I want to get what plain spirit means. Plain spirit is alcohol produced by passing through this process?—Alcohol produced by passing through the patent still.

575. Would it if passed through the pot still?—Yes; you get the plain spirit—the ethylic alcohol—there.

576. Why do you say you do not get the plain spirit from the patent process?—You do get it. I misunderstood the question. I thought you meant that in this definition he meant plain spirit, which had, as a matter of fact, been passed through the patent still?

577. Yes. I do not quite see why you should assert he does not mean it?—I think if you read the whole of his evidence you will find he is distinguishing between the two. He says: "I would define whiskey to be a spirit consisting of plain spirit or ethylic alcohol, mixed with the bye-products derived from malt." He does not mean that if you have eliminated them in the patent still you are then going to mix them up again mechanically. It would be an extraordinary liquor if you did.

578. It must mean the bye-products?—Yes; it has been tried to make an artificial whiskey by, after passing through this patent still, getting the plain spirit and putting the bye-products in again, and you get a most awful concoction.

579. I quite see the difference?—He a little qualifies that in 3726.

580. Will you just read that?—"I should say in the case of pure malt whiskey only the bye-products derived from malt; but if you use the word 'whiskey' without saying 'malt whiskey,' I would say the bye-products coming from both malt and raw corn."

581. What does he include in raw corn, do you think?—I think he includes barley and wheat and oats.

582. Maize?—No; I think not.

583. Bran — why not? — You asked me what he meant.

584. So far as it is put down here?—I think so far he had not been dealing with maize. I admit it is a little indefinite expression.

585. (*Dr. Adeney.*) You do not think he means unmalted grain?—I think he means unmalted corn. Raw corn means unmalted in this sense as distinguished from malted corn.

(*Dr. Horace T. Brown.*) It is a well-known definition; raw corn means unmalted corn.

586. (*Chairman.*) What would it include?—It would include all cereals, unless specified.

587. Why would it not include Indian corn?—If you take it literally, it does.

588. (*Dr. Horace T. Brown.*) In the United States, when you speak about corn you mean Indian corn?—The answer to that would be that if you include Indian corn in a pot still you would certainly not produce Irish or Scotch whiskey. You would produce something with a totally different flavour. If you were to use Indian corn in a pot still you would not eliminate these secondary products. You would produce something which no one would think was Scotch or Irish whiskey.

589. He does not mention pot still there?—No; he does not there. He is defining there the materials.

590. (*Mr. Guillemard.*) The inference is against it, is it not, in view of his reference to unmalted grain?—Against pot still?

591. Against his wishing to limit it to pot still only I do not want to take it too far. You would not admit that?—I should not admit that, I think, taking the general tenor of his evidence. If you take those words by themselves, I think it would be open to that consideration.

592. I do not want to press it?—He has been talking before about the pot still.

593. (*Chairman.*) Just to solve this question, just read 3730: "Would you consider that patent still spirits deserve the name of whiskey?—Patent still spirit, if you look upon it as whiskey, stands in the position of the play of 'Hamlet' without the character of Hamlet in it; that is to say, it has nothing of the character of whiskey about it. Nothing as regards the flavour or the taste, or the qualities which make these other spirits potable?—No. It does not contain the bye-products which give character."?—I think I am right in saying that if you take it in connection with that it is clear what he meant.

594. Then I will read 3732?—I was going to ask you to be good enough to do that.

595. "You are aware probably that the patent still spirit made from whiskey and grain, according to the evidence before us, contains, though not a large quantity, a small quantity of bye-products?—The amount is so small that persons are not able to distinguish it. I have been carefully through the minutes of evidence, and I glean from the evidence which has been given that there has been no person yet before you who has said that when the spirit is perfectly clean he could distinguish the spirit coming from one source or from another. The witness has said that he thought an expert might do it. If it is not characterless it is almost characterless." At 3734: "That is the case, is it not, with regard to plain spirits, whether they are got from malt or from malt and grain, or from molasses, or from potatoes, or from any other source?—Yes, it does not signify from what source the plain spirit is obtained; if it is perfectly clean it is simply ethylic alcohol, without any character beyond that belonging to ethylic alcohol." According to 3,735 it all seems to depend on the bye-products: "Bye-products give the flavour and the odour, and make the spirit, instead of being insipid, relishable"?—Makes it palatable instead of being insipid.

596. That is what is meant, I think?—I do not think I need trouble you with any further extracts. I think they support me in some way at any rate. May I mention this while I think of it. At the trial —I only mention it as a fact—there were some very distinguished men who were called as witnesses for the defence, and who said that patent spirit might be whiskey. We gave them two samples without any labels on them, one of patent spirit bought from a patent still distillery, and the other of pure alcohol bought from a chemist, and we asked them which was which and they nearly all said, if not all, that the chemist's spirit—rectified pure alcohol—was patent still spirit. They fixed on the wrong one. They could not tell the difference. I do not mean to say that they were expert tasters, but Professor Sir James Dewar was one, I think.

597. I do not know whether there is anything more you wish to say in support of your claim, as I call it, that all whiskey shall be pot still whiskey before it is called Scotch or Irish whiskey?—No, I think not.

598. One or two questions more. Did you from your enquiries find whether the retail sellers of the whiskey did make a material difference in price on account of the difference in the wholesale price, or do you think they took advantage of getting the cheaper whiskey to sell?—Do you mean the retailers like public-house retailers?

599. Yes, and like off-licensees?—I do not think they knew.

600. Do you think they took advantage of the lower price of the patent still to sell it equally with

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pot still at the same price?—Yes, I think so. I must say in justice to Mr. Wells and Mr. Davidge that I do not think they had any conception of what it was they were buying.

601. But they knew the price they were paying?—They knew, in fact I think it was Mr. Wells said it was the cheapest whiskey he had ever bought.

602. Yes, he did, that is the 10s. 4d?—That is the danger, if I may say so, that these things are produced at a very cheap rate, and then travellers go round to public-houses and to the off-license people and they persuade them to buy these things under the name of Scotch whiskey and Irish whiskey because they are cheap, and then they are retailed by these people who very likely have no idea of how they are produced or what the proportions are, or anything of the kind, and they are retailed as Scotch and Irish whiskey.

603. Did any question arise during the litigation on the point of whether it would be injurious to any seller to have to make a detailed mark more than he does give now upon the whiskey he sells?—Does your Lordship mean the retail seller?

604. I mean the licensed victualler or grocer?—No, I do not think there was any suggestion that that would hurt them very much except that it was thought that people would be frightened by the name "patent still spirit"; they would think there was something different from what they had been accustomed to get. I do not think the retailer would mind "Scotch whiskey compounded of 90 per cent. of patent still spirit and 10 per cent. pot." I do not think he would very much object to that. If you might call it in large letters "Scotch Whiskey" I do not think the retailer would very much object to having on the label what the proportions of the spirit were.

605. Were there any suggestions made in the course of the litigation as to what was a practical label that could be used?—Not on behalf of the retailers. The defence was taken up entirely by the great Scotch company, the Distillers Company, Limited, and really—I do not say it at all offensively—it was fought rather from their point of view than that of the retailer. Before Mr. Fordham, speaking from memory—it is nearly three years ago now—I think there was a very strong objection to having anything on the label of the kind, but when we got to Quarter Sessions the view seems to have changed, and if I may summarise it, the view seemed to be that if they might call it Scotch whiskey or Irish whiskey they would have no objection to stating on the label that it was a blend of pot still and patent still, but they objected very strongly to giving the proportions. From our point of view if you do not give the proportions in a case where you have 90 or even 95 per cent. of patent still spirit the label really is very little protection to the purchaser.

606. You have just brought me back to what I was first asking you about. I want to ask you about this blending. Is it your view that there is any permissible blend between the pot still and the patent still which would entitle the seller still to term it a real Scotch or Irish whiskey?—I should think I should go so far as to say no, there is not.

607. Then you mean to say that if 10 per cent. of patent still were put in you would not allow that?—It would be getting rather small then.

608. I am taking it by degrees?—Practically small. If you start with the assumption that patent still spirit is not whiskey then if you add anything to whiskey you are adulterating. It is just as if you added 10 per cent. of water to milk. Although this was a very common practice before 1875 it is an undoubted offence now.

609. I see the difficulty. There is a very great difference between the two. Water is not milk, and milk is not water, in any shape or form. I do not know exactly what we can call our X number, but supposing it is a small number, take 15 or 20 per cent., and you blend that, that is putting the patent still into the 85 per cent. of the pot still, what would you ask should be put upon the bottle then?—I should ask that it should be stated: "This is a mixture"—I prefer the word "mixture," and if I may I will show your Lordship why presently—"of 85 per cent. pot still whiskey and 15 per cent. of patent still spirit." Our whole contention has been based upon the provisions of the Sale of Food and Drugs Act, that the purchaser is entitled to know what it is he is buying.

610. There are different degrees of information. Suppose you said "This is a blended whiskey," would that do for you or not?—No, I think not. I do not think the public would know what that meant.

611. Are you quite sure that the public would know what is meant by pot still and patent still?—They do now.

612. People in this room do, but there are a good many people in the world that do not, I should think, who drink whiskey?—A great many, no doubt—I think a smaller number now than there used to be. I forget your Lordship's question, I am afraid.

613. I was asking you first if you had got 85 per cent. of pot still and 15 per cent. of patent still, what label would you wish to have put on?—I should like to have on this, "Scotch Whiskey" or "Irish Whiskey," as the case may be, "mixed with 15 per cent. of patent still spirit."

614. There would be a little difficulty about that if you tried to make them put it on according to the truth, because the retail seller must depend upon somebody for the information. He would not know?—If he had a warranty he would be discharged under the Sale of Food and Drugs Act. The invoice is a warranty.

615. You suggest that there should be a warranty from the wholesale seller or distiller to the retail seller, and that then he should follow his warranty?—Yes, and the invoice he gets with the goods is a warranty under the Act. For instance, there is a warranty here. These two men, Wells and Davidge, if they had chosen, could have got off.

616. What is the provision in the Food and Drugs Act about warranty?—That where the goods have been supplied to the retailer, or to the person from whom the inspector has purchased the goods with a warranty, and the retailer, the defendant, gives notice so many days before the hearing that he relies on the warranty, and sends a copy of it, and if he proves that he has not altered the goods since they reached his place, and had no reason to think the warranty was otherwise than genuine, he is discharged.

617. That is a defence in the milk prosecution very often?—In milk very constantly, and in many others too. As I say in these cases the two defendants could have been discharged if they liked.

618. Had they warranties?—They had invoices, which amount to a warranty.

619. They put nothing upon the bottle?—The label on the bottle comes under the Merchandise Marks Act.

620. There was no representation made at all by Wells and Davidge?—Yes—"Fine Old Scotch Whiskey."

621. In the one, not in the other?—Not in the other, no.

622. I do not understand that the policy of your prosecution is so much to prevent the sale of these things?—I do not think we can go so far as to prohibit either the sale or the consumption.

623. On what ground could you possibly prohibit either the sale or the consumption?—I do not think I could.

624. It is not injurious to health?—Not sufficiently. If a man knows that he is getting this and chooses to buy it, unless you are going to have a prohibition law like the Maine Law, I do not see how you are going to prohibit it.

625. You reduce your case to notice to the purchaser?—Yes, so far as the Council are concerned. I do not know what other people may say.

626. I am asking you about your prosecution?—I really cannot see that there would be any justifiable ground for prohibiting the sale or the consumption of patent still spirit unless you are going to prohibit all alcohol, which is out of the question. One has, if one may say so, to apply a little reason to this.

627. What are the principal reasons why you think the customer ought to know exactly what he is purchasing?—Take first of all perhaps the most im-

portant thing. A doctor says, in the case of illness—typhoid, or pneumonia, or any fever—"You must give this patient some whiskey, take care it is genuine whiskey," and the man, in the case of poor people, goes round to the nearest public-house, and, if we are right, he gets this kind of stuff that has no effect at all. If the doctor tells him "See that you get pot still whiskey," and he gets a label "This is 90 per cent. of patent still," he would probably not buy it, he would go somewhere else. Then as regards the question of price, that perhaps is not very important, but it is important. A man is getting a much cheaper article at very much the price of the higher and better article.

628. I should think the great majority of persons who buy this whiskey would know whether patent still or pot still was the dearer of the two?—They are getting what they think is genuine whiskey, and they are paying for it almost as much, if not quite as much, as if they were getting it, and getting a thing which cost in Davidge's case 10½d. a gallon.

(Adjourned for a short time.)

629. (*Chairman.*) Mr. Bramall, I got from you your definition of Irish whiskey, but I think, unintentionally, we must have passed off without getting a similar definition as to Scotch whiskey. Will you give that, please?—It was my fault, I think. Scotch whiskey we define as spirit distilled in a pot still in Scotland from malted barley.

630. Where do you think the definition comes from?—I think it is indicated rather in some of those passages to which I called your Lordship's attention. It is difficult to get an authoritative source for it; but it is from inquiries in Scotland as to what was the practice in pot stills. Practically no pot still in Scotland uses anything but malted barley. If you have the pot still you have the malted barley.

631. It is material to know: do you get that definition before or after the patent still product came on the market: do you trace it to anything earlier than, say, 1891?—I am afraid I cannot say for certain. I will look that up, if I may, to see if I can find anything earlier. It rests partly on evidence. I think evidence will be called before the Commission.

632. There is one matter I have not put, that is: In the use of the pot still is it necessary, in order to produce a satisfactory product, that the materials used should be the best?—Absolutely the best.

633. Why is that?—Because the pot still would reproduce the inferior flavour of the inferior material. If inferior material were used, the characteristics of the inferior material would be reproduced in the final spirit distilled.

634. That, of course, I suppose, is one of the reasons why the cost of the pot still is higher than that of the patent?—Yes; that is one reason.

635. Suppose they used the inferior article in the pot still system, what would be the result?—You would get an inferior taste in the spirit.

636. I understood that if inferior ingredients were used the pot still would produce singularly objectionable products?—If they were really bad. Supposing you had third-class barley, you would get the third-class spirit from it—not necessarily objectionable. If you used bad material you would get undrinkable things.

637. What I had in my mind for some reason was that the pot still showed the effect of bad material more than the patent still?—Much more.

638. As regards the marks to be put on any when sold, you have one company that did for a time put a mark on?—They advertised it. They did not put a mark on the bottle. It was the Distillers' Company, Limited, which practically is a combination of a very large number of patent still distilleries in Scotland. I think there is only one patent still distillery in Scotland outside their combination. They advertised, before the commencement of these proceedings, in the trade journal, "The Wine and Spirit Trade Record," for a number of months, at any rate—I have copies for a number of months—"The Distillers' Company, Limited. Distillers of Patent Still Grain Spirit at Port Dundas." Then it gives a list of the patent still distilleries and where they are. "Also Irish Grain Spirits at Phœnix Park Distillery, Dublin. Distillers of Scotch Pot Still Whiskey at Caledonian, Edinburgh," and so on. Then "Distillers of 'Glen Forth' Pure Scotch Malt Whiskey at Kirkliston Distillery, West Lothian. Distillers of Finest Highland Malt Whiskey at Knockdhu Distillery. Distillers of Finest Dublin Pot Still Whiskey at Phœnix Park Distillery, Dublin." They do not use the word "whiskey" in connection with the grain spirit. May I put that in?

639. Yes, I shall want that in. Would you mind just reading that over again?—I will read it entirely, if I may.

640. Just what you read—the material part?—"The Distillers' Company, Limited. Distillers of Patent Still Grain Spirit at"—seven places mentioned, including Cambus—your lordship mentioned Cambus yesterday. "Also Irish Grain Spirits at Phœnix Park Distillery, Dublin."

641. (*Mr. Guillemard.*) Grain spirits?—Patent still grain spirits. Then there is a line drawn, and "Distillers of Scotch Pot Still Whiskey at"—two places mentioned. "Distillers of 'Glen Forth' pure Scotch Malt Whiskey at Kirkliston Distillery. Distillers of Finest Highland Malt Whiskey at Knockdhu Distillery, Banffshire. Distillers of Finest Dublin Pot Still Whiskey at Phœnix Park Distillery, Dublin."

642. (*Chairman.*) In two you have read out it does not state pot still. It only says "Pure Scotch Whiskey"?—It says either pot still or malt.

643. What do you gather from the use of the word "malt" without "pot still"?—It must be a pot still. It would be silly to put malt in a patent still. It is the most expensive material. If you put it through a patent still you would destroy the advantage of having the malt.

644. It seems to be contrasted there by putting pot still in one line and not in another?—This is to the trade, remember—not the public. I do not know that you can get this outside the trade. It is difficult to get, at any rate. Any man in the trade would know that malt whiskey must be a pot still whiskey. I should perhaps correct that. There was one distillery in the Lowlands where they used malt in a patent still, but no one could quite find out why.

645. I suppose I cannot get exact proportions from you, but, first taking Scotland, which exists in the greatest proportion, according to you, the pot still or the patent still production?—I think it is very difficult to say. You can only get those figures, I think, from the gentlemen from the Excise.

646. We had some figures yesterday; but, of course, the pot still when made may be sent for blending with the patent still?—Yes, largely in Scotland.

647. And the patent still distilleries are very large, are they not?—Very large.

648. Larger than the pot?—Very much larger, on the average.

649. That refers to Scotland, but not to Ireland?—There are very few patent still distilleries in Ireland. I think the number was given. There is one in Dublin, and the rest, I think, are all in the North of Ireland.

650. (*Chairman.*) We had it from Mr. Tedder.

651. (*Mr. Guillemard.*) They are small, anyhow?—Quite small, and two of them, at any rate, belong to the Distillers' Company. They introduced them there. One I know in Dublin. They have one in Dublin—it must be two in Dublin. They told me when I was there that they were really making yeast, and they were only using the patent still spirit as a bye-product.

652. (*Chairman.*) There was some list you referred to?—May I put that advertisement in?

652*a*. Yes?—There is a mark in the place. (*The document was handed in.*) There are two things I might mention. One thing that influenced us at one time was this, that there is a trade list circulated among the trade—(I do not know that I need mention the name, because I got this more or less privately)—I will not mention the name, but it is a well-known firm who circularise the trade very largely—"Essences and Oils for Liqueurs. Wines, Spirits, &c.: Concentrated Quality: Unrivalled for strength and trueness

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of flavour, and suitable for improving the flavour of cheap wines, &c." Then there are a number of essences given, occupying a page and a half. Every kind imaginable almost of spirits and wine; and amongst others "Whiskey, Irish," where the essence is 15s. a lb. "Whiskey, Scotch," 15s. a lb." Then I might mention that there is "Brandy" here. I think they make cognac out of this stuff—Yes, cognac also is made out of this essence.

653. What is the point of this?—To show—I do not want to use too strong a word—the way in which spurious whiskey is made. You get the patent still spirit, and you buy these essences and you make Scotch or Irish whiskey by putting these essences in.

654. What is the essence that makes whiskey?—I do not know. That is a trade secret, I imagine. I have not been able to learn that. Then they have another list here on the next page with a book of recipes. It is difficult to get. It shows the practice, that must be a very wide practice, of concocting the spirit and calling it whiskey. I do not know whether you would like that put in.

(*Chairman.*) Yes. (*The same was put in.*)

655. (*Dr. Horace T. Brown.*) What is the date?—It is September, 1905.

656. (*Chairman.*) It will appear in the shorthand notes. It is quite sufficient if you give the reference to it?—September, 1905.

657. (*Chairman.*) That is all I have to ask you?—Might I mention one thing, my Lord—that a good deal goes on in bonded warehouses under the eyes of the Excise officers which I think I may say they very much object to, but which they are powerless under the present law and regulations to prevent. At any rate, under the present regulations there is a great deal of concoction, as I say, of spurious spirit which takes place in bond. There was one case as to which I have a letter here.

658. Generally first, what do you say takes place?—There is a great deal that perfectly honestly takes place; but the case I can mention, and I can submit the names if your Lordship would direct them to be summoned, is of patent still spirit sent into a bonded warehouse; half put in one set of casks and labelled "Scotch Whiskey"; and the other half put in another set of casks and labelled "Irish Whiskey," the same spirit, and sometimes not coming from either Scotland or Ireland, but from England.

659. What is the object of putting half Scotch and Irish?—They want to sell part as Scotch and part as Irish.

660. For the market?—Yes, for the market. What comes in from a neutral source—the very same thing—goes out partly as Scotch and partly as Irish. Then spirits which are of little age are bottled and described as of very much greater age, and sent out. There is a very great deal that the Excise officers see under their eyes, and are powerless at the present moment to prevent—a great deal of what amounts to fraud.

661. If your suggestion were carried out that there should be a distinctive mark declaring what the article sold was, at what stage of its existence would you suggest that that should be enforced?—I think it would have to be from first to last. It is now put on the cask very largely—at any rate, the date is, and other particulars. When it gets into the bottle the distinctive mark that was on the cask ceases to exist; it does not follow the spirit into the bottle. I suggest that where it is bottled in bond, and sometimes you see the label "bottled in bond," which is some kind of guarantee, a very different age from the age on the cask may be put on.

662. You want this, wherever you can, I suppose, when it is taking its course from the distillery to the actual consumer who drinks it; it needs to be marked wherever it can be marked?—Yes.

663. (*Mr. Guillemard.*) Perhaps I might ask you a question with reference to that last instance you gave of the spirit that went out partly as Scotch and partly as Irish. Do you happen to know whether that was in a Customs or an Excise warehouse?—I imagine it was in the Excise.

664. Do you happen to know whether it was brought to the knowledge of the Excise officially—whether it was reported to Somerset House?—I do not know that.

665. I am only asking in the interests of the Excise because it might be reported. I do not say what would be done or what would not, but it might be reported?—I understand some things have been reported, and, if I might venture to say so, there was at one time some consideration as to whether the Excise and the Customs could not take action.

666. Yes, frequent consideration?—I think that was an Excise case. It went from one part of England to Scotland, therefore, I suppose that would be Excise.

667. It is not a case you are in a position to hand in yourself?—I should not like to do it, but I will get a statement if you will allow me.

668. I did not mean to the Commission, I meant to Somerset House. That is just as you feel about it?—I should be only too pleased to do it, but one must keep faith with the people who tell you these things. I cannot do it without their consent.

669. I quite understand that. There was a point about your definition I should like to ask you. First of all as regards your definition of whiskey, I understand you would exclude from the definition of whiskey any spirit that was wholly produced in a patent still?—Yes.

670. That is clear. You would also exclude from the definition of whiskey spirit that was partly composed of spirit produced in a patent still?—Yes—if I may say—from the term whiskey pure and simple without qualification.

671. Then the term whiskey pure and simple you would wish to confine to whiskey produced in a pot still absolutely unmixed with any other form of spirit?—Yes.

672. Have you any idea what proportion of such spirit, that is to say undiluted pot still spirit, bears to the total produce of whiskey that goes into consumption?—In Ireland a very large proportion.

673. I mean generally rather?—In Scotland I could not possibly say. I should think in Scotland less than half. In Ireland nine-tenths.

674. Would you think on the whole less than half—a good deal less than half?—In Scotland?

675. Taking the country as a whole?—I could not say offhand. One would have to compare the figures from Ireland and Scotland. In Ireland I am quite sure a very large proportion is pot still undoubtedly; in fact I think all the known brands of Irish whiskey, with the exception of one or two in the north of Ireland, are undoubtedly pot still whiskey.

676. Pure?—Yes.

677. Would you come to your definition of Scotch and Irish whiskey. Take Scotch whiskey for instance. You would exclude from the definition of Scotch whiskey any spirit that was composed of pure patent still even if made in Scotland?—Do you mean altogether composed or partly?

678. Altogether composed. You would exclude that from the definition of Scotch whiskey?—Yes.

679. But would you exclude from the definition of Scotch whiskey any blend of patent still whiskey and pot still whiskey both made in Scotland?—Yes, from an unqualified definition. I think a label could easily be devised to meet the case.

680. But I want to carry it a step further. You would put on the mixture something to show that it was a mixture?—Yes.

681. I understand you to suggest that you actually would put on the label "a blend of so much per cent. of pot and so much per cent. of patent"?—Yes. It is not only in connection with this case. I have had a very large experience in connection with that under the Merchandise Marks Act and one has seen the evil of it. You have a label, we will say "Tarragona Port"—I had several cases of that—where the chief constituent was grape must from Greece. The grape must is the unfermented juice of the grape. It is brought over here unfermented in hermetically sealed vessels, so that it escapes the duty on fermented alcohol. Then it is fermented here in England. This was grape must from Greece (of course the Greek grapes are very small), and then a smaller proportion of Tarragona port was added to it. It was held protected by a label "Tarragona port mixed with the pure juice of the grape," or something of that kind, although the Tarragona that was added was the smaller proportion. I thought it ought to have

been described as grape must with the addition of Tarragona port. That would be the correct description, but that would not have sold of course.

682. Still, to come back to the actual whiskey, your suggested label would, I take it, specify the proportions of pot to the proportions of patent?—Yes.

683. To be any good from your point of view it must do that, I think?—Yes, in some shape or way it must.

684. I see you say in the statement you have handed in that an analyst can tell pot still spirit from patent still spirit?—Yes.

685. Of course I see clearly that an analyst could tell pure pot still spirit quite easily, and he could tell the pure patent spirit quite easily, but now if you got a blend and gave it to your analyst—I have no chemical knowledge myself—could any analyst say that the proportions described on a label were right or wrong?—Approximately, yes, I think so. It would have to be approximate.

686. I am only suggesting—would it be a close approximation at all?—Fairly close.

687. I gather from the 1890-1891 evidence that there would be a great deal of difficulty about it?—I think science has made some advances since 1891.

688. That is so, of course?—Of course the way the analyst would do it would be this. He would find what is called the co-efficient of impurities and he would be guided by the quantity reached.

689. The quantity of the co-efficient varies a good deal?—Yes. Then he would take each particular substance and see the amount of that, and taking his standard of pot still and his standard of patent still it would be a rule of three sum as to the proportions of either.

690. Then your view is that an analyst could satisfactorily test the proportions stated on the label?—Yes, approximately, and I think the public analysts always make allowance for variation, for error in giving a certificate. They take the lower figure in favour of the person from whose sample it has been taken.

691. There is one point I wanted to put to you. I think in your evidence you spoke of brandy as being accepted as meaning a spirit made from the grape?—Yes.

692. What do you rest that on?—That was the decision in the brandy case.

693. Mr. Fordham's decision?—Mr. Fordham's decision. Will you forgive me for saying that was the contention of the defendants? What they said there was: You cannot prove that this has not come from the grape. It is patent still spirit, and therefore it is silent as to its origin.

694. I want to take you a little beyond the point of contention in that case. With regard to the meaning of the word "brandy," as used in the Statutes of this country, has it been brought to your notice that the word brandy is used on the Statute book with reference to a spirit made from grain?—No.

695. I would call your attention to the 148th section of the Spirits Act, 1860, which is as follows: "All spirits which shall have had any flavour communicated thereto, and all liquors whatsoever which shall be mixed or mingled with any such spirits shall be deemed a British compound called British brandy." I admit that is called British brandy, and not brandy, but for what it is worth, that is that reference. It is a rather interesting subject, and there is a further point?—Is that the Act of 1880 or 1860?

696. The Spirits Act 1860, section 148. There is one very curious point. If you go back to 1690, which is getting venerable, the Act of 2 William and Mary, section 2, chapter 9, is entitled "An Act for the encouraging of the distilling of brandy and spirits from corn," and the preamble runs like this: "Whereas good and wholesome brandies aqua vitae and spirits may be made from malted corn"?—I should call that whiskey.

697. I was only quoting *à propos* of Mr. Fordham's judgment what I have not seen brought out, that if you go back 200 years you will find a statutory authority for brandy as meaning a spirit made from corn?—Latterly it would be impossible to call that brandy, taking the derivative meaning of the word brandy. You remember that, of course. I do not think anybody would contend now that you would make brandy from grain spirit.

698. You do not think anybody would?—No; they would not contend it in public.

699. (*Dr. Cushny.*) I should just like to ask you one or two questions with regard to the medical aspect of the question. I understand your view is that the pot still whiskey is less injurious to health than the patent still or pure alcohol?—Yes. Of course, you will understand I do not speak from any personal knowledge of my own on that, and it is merely what medical gentlemen have told me. I am not a medical man, and I should not like to discuss the medical question with medical men.

700. I just want to bring it forward, in order that it should not be published immediately that there was not some discussion about it, because you are aware that alcohol is used very largely in the place of whiskey or brandy in medicine?—In some cases, yes.

701. As an absolute substitute for it. In some hospitals you find pure alcohol used, where in other hospitals they would use brandy or whiskey. Now that is so?—I take it you would give whiskey in certain specific ailments.

702. No; there is no disease which one would treat with whiskey that in other countries, or in other parts of the world, they would not treat with pure alcohol with equally good effects?—You will forgive me for not venturing to discuss that with a doctor.

(*Dr. Cushny.*) Yes I just wanted to bring that out.

703. (*Dr. Horace T. Brown.*) I want, first of all, to raise a question similar somewhat to that of Dr. Cushny's. I gather, from what I have seen and heard, that there has been no serious attempt on the part of the prosecution to allege that the patent still product is in any way deleterious to health?—Not in a small quantity. Unless you take an excessive quantity. I think that would be so.

704. Did not Mr. Bousfield put that very clearly in his opening in the appeal case, where he said there was no objection to it—that is the patent spirit—on the ground of unwholesomeness?—Yes; I think he did.

705. You accept that?—No, I do not think I do. I did not like it when he said it. I think he ran away from his brief a little bit. I should put it very slightly the other way. I do not suggest it is poisonous, or anything of that kind, except in so far as all alcohol is.

706. I suppose you have some evidence to bring forward on this question?—Certainly.

707. On the question of the unwholesomeness, if there is any evidence to bring forward, and also on the medical question?—Yes.

708. On the dietetic value?—I have only tried to summarise the information of the kind of evidence on that point. I have not ventured to put it forward on any knowledge of mine.

709. You have referred, in your written statement, to the large margin of retail profit made by Mr. Wells, I think it was?—Yes.

710. One of the defendants in the recent whiskey prosecution. You have given a number of details to substantiate your statement. The inference, I imagine, which is to be drawn from that statement is that there was a larger margin of profit due to the fact that the greater part of the whiskey consisted of patent still spirit, which could be bought, duty free, at 1s. 3d. a gallon; whereas the pot still whiskey, on your lowest estimate, would cost about 3s. 6d. per gallon?—Yes.

711. He could buy it at 3s. 6d.?—Yes.

712. Duty free at proof?—Yes.

713. Can you tell us how much of the profit on a pint of whiskey which was sold at 2s. 4d. to the customer was due to this difference between the 1s. 3d. and the 3s. 6d.; or, in other words, if the retail selling price had still been 2s. 4d. per pint, and Mr. Wells had bought pot still whiskey at 3s. 6d. proof, how much less profit would have been made on the transaction?—I think I should have to work that out as a matter of arithmetic.

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714. Have you any idea about it?—No; but I should think about, if the cost were half—it would not be that because there is only 10 per cent. You mean if it had been a pot still spirit?

715. I mean if it had been a pot still spirit at 3s. 6d. instead of patent still spirit at 1s. 3d., what would have been the difference?—The profit is divided between the wholesale dealer and the retailer.

716. No, I mean as between Mr. Wells and his customer, if he had given 3s. 6d. a gallon for the pot still spirit instead of 1s. 3d.?—At proof?

717. Yes?—It would have cost him 14s. 6d., would it not?

718. Yes. Have you any idea what the difference in profit would have been on that?—I cannot answer without working it out. I think it is perfectly easy to work it out as a matter of arithmetic.

719. I have worked it out, and I was rather surprised at the small difference it made. One would consider in the first instance that probably it would be the difference between 3s. 6d. and the 1s. 3d. divided by 8, or something of that sort, but it is really much less than that. Would you kindly follow me in these details and see if they are correct, because I think it is rather an important point. Mr. Wells, according to your statement, bought his whiskey at 10s. 4d. per gallon at 25 under proof?—You want me to check that?

720. Yes?—Yes, 10s. 4d.

721. Now, if instead of buying whiskey which you say was worth 1s. 3d. per gallon, proof duty free, he had purchased pot still whiskey at 3s. 6d., it would have cost him at proof 14s. 6d.?—Yes, that is right.

722. Or at 25 under proof, 10s. 10½d.?—Yes, that would be so.

723. So that the difference really would have been only 6½d. per gallon?—Would you mind giving me the figures again?

724. 3s. 6d. and the duty 11s. is 14s. 6d., and reduced to 25 under proof it then comes to 10s. 10½d.?—It would be about that.

725. That is a difference of 6½d. per gallon, or an equivalent of three farthings per pint of whiskey sold at 2s. 4d.?—Yes, I think you are right.

726. Three farthings?—I have not followed that out. It would be the 6½d.

727. So that of the large retail profit which is shown of 8s. 4d. a gallon on your figures—that is the difference between the 10s. 4d. and the 18s. 8d., the retail price—eight times 2s. 4d.—we are agreed that only 6½d. was due to the difference in prime cost of the pot still and patent still product?—Yes. Of course, it is the duty that makes the difference. It is an enormous difference.

728. It makes an enormous difference, and I think it requires to be borne in mind that you are getting a reduction on the duty as well?—The duty is the same on both.

729. But the duty is added in with the prime cost of the spirit, and has to be reckoned both in the reduction of strength and in the price?—It is the constant amount of the duty that makes the disproportion appear so much less.

730. But a question has been raised in this Commission with regard to the great difference in the cost of whiskey?—If you eliminated the duty you would get a much more startling difference between the two prices.

731. That is scarcely the way to do it, is it?—Until you reach the retailer it is, is it not? because the duty is not payable until the retailer is ready to take delivery. Is not that so?

732. No; but as between Mr. Wells and his customer you must take the duty in?—Yes, as between him and his customer.

733. So that you may say the purchaser of that spirit at 2s. 4d. was prejudiced to the extent of three farthings?—That may be so.

734. We are agreed about that?—Yes, I will check that afterwards.

735. I think you may accept the figures. I have done it very carefully?—It seems at first sight to be so.

736. As far as I can gather there are two distinct questions involved in this matter. I should like to ask you if that is not so. In the first place there is the true definition of whiskey, and, secondly, the analytical standard—the standard which is to be laid down for the guidance of the chemists who have to determine whether a given sample is genuine whiskey or not. I think those two things need to be kept quite separate?—Yes.

737. The definition of whiskey and the analytical standard?—Yes.

738. The two things, although closely inter-related, do not necessarily run together?—No, not necessarily. If the analytical process is right would they not run together?

739. Assuming that the definition which you have given of whiskey is correct, that genuine whiskey must be produced in a pot still, it by no means follows that the analytical standard, which I think has been laid down as 380 parts of bye-products per 100 litres of absolute alcohol?—That would be in 100,000 parts.

740. Yes; it by no means follows that that standard is absolutely correct?—No.

741. That is subject to revision from further knowledge which may be gained?—Yes.

742. So that the two things are totally distinct?—Yes. One is the expression in popular terms of what one may call a popular fact.

743. I think the definition ought to be kept entirely distinct from the standard. The definition is a fixed thing; the standard would vary according to our knowledge of the analytical process?—I quite agree.

744. If on the other hand your definition of whiskey is not a true one, the standard, of course, falls to the ground?—Yes.

745. It has no *raison d'être*?—No.

746. So after all the crux of the whole question is to get an authoritative definition rather than a standard, is it not?—You have to begin with that. You cannot get to a standard until you get your definition.

747. That is the crux of the whole thing—getting an accurate definition of whiskey?—Yes, certainly.

748. I suppose we shall have Dr. Teed before us to give us evidence on some of the analytical data, and so you see I cannot question you on those points because I do not suppose it would be fair to do so?—It would be very misleading, I am afraid.

749. Now, I will question you on your definition, if you will allow me. In the first place, you define whiskey generally as being a spirit distilled from grain in a pot still. That is so, I think?—Yes.

750. Do you think this definition is in itself sufficiently explicit? Ought it not to include a statement as to the particular form of pot still which is permissible?—I think the term "pot still" is sufficiently well understood in that there is only one type of pot still in anything like general use.

751. Are you aware that there are pot stills in existence which are furnished with rectifying heads and various contrivances of that kind for facilitating fractional distillation?—Yes. They do it very, very partially.

752. And which in themselves approximate to the working of the patent still?—I do not think they do, if you will forgive me for saying so.

753. They are continuous. There are stills of that type?—You mean that have a rectifying head and have a line arm.

754. I do not mean a line arm. I mean something like *this*, if you will allow me to hand it to you. Will you kindly look at page 129 of Nettleton. Perhaps you know it?—Yes.

755. I refer more particularly to the continuous stills given at page 146?—Yes, I see it.

756. With a highly rectifying apparatus at the top in which I imagine something like a patent still product would be turned out?—Yes, I do not think that is in general use.

757. I understand that a still of that nature is in use. I suppose we shall have evidence on it?—

It is very uncommon. I have never seen one. I have never heard of one.

758. Supposing anyone used a still of that kind, would it be legitimate to call it a pot still; would it come under your definition?—Not a pot still if it produces a fractionation like a patent still.

759. That is a pot still. I think we want to define a pot still a little more closely?—If you think it is not sufficiently definite I will try to amend it, but I do not think anyone looking at that would know that it was a pot still. That is quite a different kind of animal to the pot still that is generally known.

760. But that is a fire still?—It is.

761. It has all the elements of the pot still *plus* something else?—But it has the fractionating apparatus.

762. Will you kindly turn to pages 129, 130, and 132, where you see somewhat similar rectifying heads to the pot still?—Yes.

763. Those would come under your definition of pot stills?—I should not like to answer that without knowing the effect of this rectifying column.

764. No doubt it is a fractionation process?—But it depends to what extent.

765. You are endeavouring here, it seems to me, to establish a legal definition, and we must be perfectly certain that there is no misunderstanding as to what is meant by a pot still. Do you think the word "pot still" is sufficiently definite as it stands?—If you include some of these things as pot stills I am afraid I should say "No," if it is possible to include the one you called my attention to at first.

766. They are called pot stills, and the name of the manufacturer is given?—It is at page 146. It has an analysing column and a rectifying head.

767. Still, it is a pot still according to the definition of the manufacturers, Pontifex and Wood?—He calls it here a "fire still." He does not call it a pot still.

768. I think he does in the text?—Possibly, but I was looking at the description underneath it. He says, "Plate 32"—that is the one you have called my attention to—"represents a continuous working fire still." It looks as if they are differentiating between that and a pot still.

769. The others are all like pot stills?—This one on Plate 25 is a pot still. The still itself is evidently a pot still. I should not like to say without consideration what the effect of that rectifying column is.

770. Does not that rather imply that your definition wants revision?—It may want expanding, yes, if you think a pot still might be taken to include some of these uncommon devices. I think they are uncommon. I do not think the rectifying column would have a very marked effect. They have rectifying columns in Scotland.

771. Line arms?—They have rectifying columns, and they produce a very, very strong whiskey indeed for the purpose of blending.

772. Does that come under your definition of pot still?—The rectifying columns I have seen in Scotland would not prevent it coming under my definition. If it is correct it certainly would come under that definition.

773. Unless it is clear on your definition what a pot still is to start with, I am afraid it will give rise to a great deal of difficulty in various ways?—In framing that you would want a definition.

774. I am not arguing that we should not have a definition at all?—But assuming that we are to have a definition?

775. It should be unmistakable?—It should be a definition of pot still. Yes. I do not think it would be difficult to frame.

776. To come to another part of your definition, you stated that Irish whiskey, in addition to its being produced by one special type of still, the pot still, should also be confined to materials of this nature: Malted barley, unmalted barley, with small permissible additions of wheat, oats, rye, that is to say, grain indigenous to Ireland. Is that a correct expression of your definition?—Do you mean indigenous?

777. The word "indigenous" is your own—at least, it is in this definition?—I did not know whether that was the word you wanted to call my attention to?

778. Yes, I am going to. What, according to your idea, is the exact meaning of the word "indigenous"?—Native to the country, I should think.

779. In what way native to the country?—Grown there.

780. Would you call, for instance, the Negroes of America indigenous to the country because they are born there?—I do not think you use the word with reference to human beings.

781. Yes, indigenous, certainly. I can give you an instance of it?—That is a difficult question, because the Negro was imported from Africa. I should think the Americans have found them quite the reverse of indigenous.

782. Your definition as regards indigenous cereals would be that they must be cereals grown in the country?—Yes.

783. Or cereals which are capable of being grown in the country?—Yes. That is based, if I may say so, on history. That is the history of what the materials have been.

784. If we go back to the history of the thing none of these cereals are really indigenous—certainly not barley?—No, I suppose not; but that is going a very long way back, is it not?

785. Yes, it is going a long way back. You define "indigenous" as applied to cereals as being cereals grown in the country, or cereals which can be grown in the country?—I think either.

786. There is rather an important difference. Maize, for instance, can be grown in the country, but you want to exclude maize?—Yes, because I think maize is a different substance. I do not think it ever has been grown with anything like commercial success in Ireland. It is too wet a country to ripen maize.

787. I agree it could not be grown commercially with success; so you would exclude any grain which could not be grown commercially in Ireland?—Yes.

788. Are you aware that some of the barleys themselves—those varieties of barleys which come from the Mediterranean, and off the coast of Africa—Smyrna, Tripoli, and places of that kind—and the Danubian barleys—which I believe are used somewhat largely—cannot be grown in Scotland, or Ireland, commercially?—I do not know that. I have not heard that they have been used in Ireland.

789. I believe that there is a great deal of foreign barley used in Ireland?—I am only going on information I have had. I have seen a great many distillers in Ireland, and they say not.

790. Would not your description, if carried out logically, exclude the use of barleys of that sort?—You mean barleys that could not be grown in Ireland?

791. Yes, barleys which could not be grown in Ireland?—I accept the fact from you that it is so, but I did not know it.

792. Ireland or Scotland, I will say?—But it is barley of the same character—of the same class.

793. It is barley, but it is a very different variety. Some of those Danubian barleys, which I believe are used by distillers, it would be impossible to grow in the United Kingdom?—I think I should take barley as a general term. I do not think, subject to correction, the distinction between Danubian barley, and its characteristics——

794. But you could not call such barleys as those indigenous cereals?—I suppose not—no.

795. Do not you think your definition requires some amendment there as well?—If you try to amend it on that score you are opening a very wide door. It would want careful consideration before you do that.

796. You would put varieties of barleys grown in foreign countries, which could not be grown commercially in England, Scotland, and Ireland, on a different footing from maize?—Yes.

797. Can you tell us why?—They are a different class of cereal, and certainly different in flavour, from maize. There is something in maize—I do not know

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what it is—which differentiates it very broadly from barley.

798. I suppose the public can look after itself in matters of flavour, can it not?—I do not think it can. It certainly has not done. I think if A. B. goes into a restaurant, or a refreshment room at a station, and asks for Irish whiskey, he has to take what is given him, or go without, and he takes what is given him rather than go without very often. I fancy the public is very much more in the hands of the trade than we always realise.

799. Do you think he would go a second time there?—Yes, I think if he were travelling over the same railway, and it was the only available refreshment room, he would. He might provide himself, as some men I know have done, with their whiskey before they started; but if you take the poorer classes they are absolutely in the hands of what the publican likes to give them.

800. I should like you to give the Commission a little further information with regard to why you should put maize on an entirely different footing from non-indigenous barley?—Because maize produces a spirit of a totally different flavour to barley spirit. As a matter of fact and history barley has been used in Ireland. I do not think you could use maize for a pot still in Ireland.

801. That is not what I asked you. Has it not in Ireland been used to a small extent?—Yes, to a small extent, but that was an experiment.

801*a*. Is it not to some extent being done on a commercial scale still?—I cannot be sure.

802. You still think that maize ought to be put on an entirely different footing from other cereals although those other cereals are not produced in the country?—Yes, partly because the flavour is different, and partly because those other cereals are of a like kind to those produced in the country.

803. You would not raise any objection on the score of unwholesomeness as between the two?—No, I do not think so. I do not know of any reason. I will not say there is not. I think very little maize is used for pot still spirit.

804. You regard the patent still spirit as silent or neutral spirit?—Practically.

805-6. You regard those terms as practically synonymous?—Yes. May I call your attention to what Nettleton's book on the manufacture of spirit says? The passage I refer to is at page 228. It is a very accurate representation of the coffey still at patent still distilleries. "The advantages of coffey still distillation over pot still distillation are as follows: A highly rectified and practically pure though flavourless spirit is produced in one continuous operation." You would not call Irish and Scotch whiskey a flavourless spirit. Then there is something a little interesting in the advertisements. Will you look at page 7?

807-8. You put that in evidence, did you not?—Yes. There is an advertisement of the Coffey Still. "John Dore and Co., original makers of the Coffey's distilling apparatus for producing in one operation the finest quality of neutral or silent spirit from raw grain, rice, molasses, etc."

809. You regard then the two terms as practically synonymous?—Yes.

810. Patent still spirit and silent or neutral spirit?—Yes, practically.

811. You would not deny that the patent still spirit contains a certain proportion of bye-products of the same general character as the pot still spirit?—I do not think it contains much ether, and certainly no furfural.

812. That is rather an advantage, is it not?—That is a matter on which chemists differ.

813. I do not think there is any difference on the question of the furfural. I think most people regard that as a thing to be got rid of?—It is a useful index to the analyst. The proportion is so infinitesimal.

814. Three parts to the 100,000, I think?—You cannot say the same of the ether. You do not want to get rid of the ethers. They are a valuable proportion of the spirit.

815. The pot still spirit gets rid of a great many of the ethers?—It preserves a great deal more than the patent still.

816. In what way?—The action of the steam destroys some of the ethers.

817. Does not the action of the continued distillation of the feints in the pot still have the same effect?—I do not think so. I have not been told so.

818. Otherwise I imagine the ethers and the various bye-products would tend to accumulate enormously. It is a fact, is it not, that the feints are never removed from the pot still, but used over and over again?—Yes, if there was no destructive agent going on.

819. Consequently those would gradually accumulate?—Theoretically, yes.

820. It follows that there is destruction somewhere?—Yes. Ethers may go into spirit, may they not? They do, because we find them there.

821. That is a point I should like to say something about, but it is going out of our province a little, I daresay?—It is going out of mine.

822. You admit that there are a certain amount of bye-products in the patent still whiskey, or spirit, as I think you call it, of the same general character as those in the pot still whiskey?—Yes, some of them.

823. It is a difference, in fact, of degree rather than of kind?—Yes, I should think so, except as regards the ethers and the furfural.

824. There are ethers in patent spirit, are not there?—Yes.

825. It is a question of degree and not of kind?—That is so.

826. Is it not a fact that some of the patent still spirits contain as much or even rather more of those bye-products than some of the pot still spirits?—I should think they are monstrosities, if they do.

827. Do not the two things overlap?—Not if the still is properly worked.

828. In commerce, I mean?—I think it is likely. You suggested to me that the analysis would require correction, and so on. I should be inclined to think there is something wrong with the analysis.

829. We have had the analysis given to us by Dr. Teed showing the minimum and maximum in the two cases, and they overlap?—Do you think they actually overlap? You also have this: you have a spirit sent to you as patent still.

830. Assuming there is an overlapping of that kind, any attempt to draw a line between the two kinds of spirit analytically must be perfectly arbitrary?—No; if your premise is right, then your conclusion is right.

831. If they overlap?—Yes. You will forgive me for not accepting it for the moment. Happily under the Merchandise Marks Act we can eliminate the analyst. It does not depend upon the certificate of the analyst as it does under the Sale of Food and Drugs Act. That is a very great improvement.

832. How do you mean "eliminate" him?—Under the Sale of Food and Drugs Act, the analyst's certificate is the basis of the prosecution. If you have a thing that is incapable of analysis, the public can be defrauded wholesale, and have been defrauded wholesale. Under the Merchandise Marks Act you can prove the wrong trade description by any means you like, by tasting or by anything else, and sometimes that is a very valuable aid to testing the correctness of the analysis. In fact, the expert's taste is marvellously accurate.

833. If it is the fact that the patent still spirit is of a silent nature, how do you explain the fact that patent still spirits improve materially in some cases with age?—I think because they are put in whiskey casks; they do not improve in bottle.

834. Do not they also improve in time in plain wood; that is, a cask that has not been filled with whiskey before?—I have some difficulty in answering that. I do not know. I think the improvement is very slight. They are not absolutely silent, of course. I admit that.

835. I imagine the difference in price between old and new patent still spirits indicates that there must be some great change taking place?—Some change, I

think you will find in the list the kind of whiskey is specified. I think you will find that spirit kept in a plain cask does not fetch so much as that which is kept in a whiskey cask.

836. It does improve materially, does it not?—I imagine, from the price, that people think so.

837. It must be owing to some change in the bye-products, and not in the spirit itself?—Yes.

838. So that the patent spirit, after all, is not so silent as we imagine?—It is not absolutely silent. If you can use it either for making brandy or whiskey, it must be tolerably silent; if you can put brandy in and say it is brandy, and you can put whiskey in and call it whiskey, it must be fairly neutral.

839. I suppose, before establishing this standard, you made some very long-continued investigations among the trade as to what has been recognised as whiskey during the last 30 or 40 years?—Dr. Teed did chiefly; rather more than I.

840. He will be able to speak to that?—Yes. I made some inquiries. I went with him on two occasions to Ireland. He went to Scotland twice also. I think he made very exhaustive inquiries.

841. You would prefer that we should ask Dr. Teed that question?—Just as you please. I cannot answer it myself.

842. Do you attribute the increased consumption of patent still spirit in blended whiskies entirely to its cheaper cost of production?—I attribute it to advertisements, to a large extent. It has been advertised to a perfectly extraordinary extent, and everybody knows how it is advertised, through London even, with these electric-lighted things which go up and down. You see them in the Strand, and everywhere. People do not know what Scotch whiskey to get, and these are largely advertised, under highly-respectable and well-known names, and I think they are sold on the strength of those names.

843. You do not think it is a question of cost?—I do not think they are much cheaper to the public. There is a difference, but not very great.

844. Do you not think that it may be due to the increasing public demand for milder whiskies—that is to say, a change in the taste of the public rather than an attempt of the distillers to foist an inferior product on the public?—I should rather put it the other way round. I hope I am not doing an injustice. I can only speculate. I cannot say what is in men's minds. I should think it was the cheapness of the article which led the traders to try and induce the public to accommodate their taste to the cheaper article. I think so.

845. Is it a fact or not that there are many of the so-called self whiskies which are far too highly flavoured, even when thoroughly matured, to be acceptable in their unblended state?—Subject to what you mean by "thoroughly matured." I think that arises from this, that the pot still distillers in Scotland find their best customers in the blenders, and the blenders, knowing that they are going to put patent still spirit into it, want a very highly-flavoured whiskey, so that a small proportion of pot still will flavour a large proportion of patent still. If you take whiskey that is not intended to be drunk till blended and give that to the public, the public would not like it.

846. Is it not rather due to the taste of the public changing—that they are accustomed to a milder whiskey?—I think the pot still whiskey that is used for blending is very different to the old pot still whiskey that was meant to be drunk by itself, and I have known whiskey to the contrary.

847. (*Chairman.*) Is it an improvement, or not?—They do not like many of the highly-flavoured pot still whiskies made in Scotland for the purpose of blending, and it is made as strongly flavoured as possible, not for the public to drink, but to flavour a larger proportion of patent still spirit. On the other hand, I know a relation of mine who appealed to me as to where he could get a good Scotch whiskey, and I recommended him a certain distillery, or the product of a certain distillery, and that has become quite the vogue in his town.

848. (*Dr. Horace T. Brown.*) An unblended whiskey?—Yes; absolutely. His friends, when they go in, say that they have never tasted Scotch whiskey before.

849. (*Chairman.*) Is it because it is so good, that they like that whiskey?—Yes; they like it so immensely. They say it is so superior to anything they have tasted.

850. (*Dr. Horace T. Brown.*) There are many unblended whiskies on the market, are there not—Highland whiskies?—A comparatively small number, I think. It is perfectly extraordinary the amount to which the Highland distillers have given themselves up to producing whiskey meant for blending, instead of meant for self whiskey.

851. (*Chairman.*) Is Glenlivet a blended whiskey?—No, pure. I think that is a self—a malt—whiskey. I take it all the Glen Spey and Glenlivet whiskies are, or the greater proportion of them are.

852. (*Dr. George S. Buchanan*). Not sold to blenders as well?—Of course, a man will not tell you what he does with his produce; but I should have thought not. I know that many of the Glenlivet distillers do sell self whiskey.

853. (*Dr. Horace T. Brown.*) You stated in your evidence that it would be very difficult to obtain evidence from patent still distillers in Scotland, and that the great blenders had captured the Scotch whiskey trade?—Yes.

854. That scarcely looks as though the pot still distillers in Scotland were on very unfriendly terms with the patent still men?—They are not.

855. Or that it was to their disadvantage to sell to them?—I hope you will not press me about that. I should not like to say in public the things that I have heard. I could tell you this, that some of the pot still distillers in Scotland would be delighted to escape from their present position.

856. I suppose we shall have evidence on that?—I do not think they will come. I think they are afraid to. I was astounded, when I was in Scotland, to find the state of fear that the pot still distillers were in. The Irish are all right.

857. (*Chairman.*) What are they afraid of?—They came to see me by night, because they dare not come in the day time. They were afraid.

858. Was that in Scotland or in Ireland?—In Scotland. In Ireland, it is all right. I was looked upon as an arch-enemy of the patent still people, and if those pot still men had come to see me, they might have found that the patent still people would have bought no more whiskey from them. They may have been incorrect, but that operated on their minds. They were men of large means, and not small men.

859. (*Dr. Adeney.*) With reference to the question that Dr. Brown put to you about your meaning of indigenous cereals, do not the Irish pot still distillers claim that their industry exerts a great economic effect on the agriculture of their country?—Yes, I think so.

860. Is not that their contention?—It is their contention.

861. That is why they put it forward?—That is one of the reasons. Irishmen, I know, are sentimental, and there is not the least doubt that the fact of consuming Irish barley is a matter of great importance to the Irish. They do not like the substitution of American Indian-corn for Irish barley.

862. Do you know whether the supply of Irish grown barley is equal to the demand?—Generally it is. Of course if they had a bad year they would get it from England or Scotland, but in nine years out of ten they get it in Ireland itself.

863. You find as a rule the stills are in the barley growing district?—Yes.

864. As a matter of fact, the cultivation of barley has been rather constant in Ireland, has it not, and that of other cereals has fallen off?—I think they have grown a great deal of barley, because it is necessary to supply the stills.

865. (*Dr. G. S. Buchanan.*) Dr. Horace Brown was asking you about a definition. I gather you consider the first essential would be to make certain definitions of these different classes of whiskey in terms of materials or processes, and having done that, to take the chemical considerations afterwards and get the analytical facts corresponding to the particular classes?—Yes. You must establish in fact what you

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mean by spirit, and see if you can ascertain that fact by analytical methods.

866. Objection was taken to that, and it was a natural objection that the different classes would necessarily run one into another, for example, with regard to the processes with the pot still they might by certain gradations tend towards the patent still, or in the same way, when we come to the chemical considerations, that the analytical classes would also overlap. That, of course, is an objection, but it is not a fatal objection to definitions, is it?—No.

867. An arbitrary line must be drawn in cases of that sort, if you want definitions at all?—Yes, I think you would find, except in what I call the monstrosities, the definition is fairly accurate. Dr. Schidrowitz wrote papers on that which support our view.

868. The difficulty, so far as it exists, would be met to a large extent if in addition to the definition based upon the ordinary or normal classes there were some authority or power to vary or to make special alterations with regard to exceptional cases?—I think it would be very desirable if the Local Government Board or the Board of Agriculture had power to fix analytical standards for the various things in the same way as they have for milk.

869. Analytical standards you are speaking of?—Yes.

870. With regard to definitions, for example, definitions in terms of materials and processes, as I have gathered from you, the only whiskey that ought to be called malt whiskey would be the whiskey made entirely from malt?—Yes.

871. Is it not conceivable that a whiskey made almost entirely from malt, that is to say, having 5 per cent. addition of some other substance, would be rather more excellent and yet would deserve the name of malt whiskey?—I think 5 per cent. would be too small to take any notice of.

872. It comes to this, that if you want to avoid the difficulties and objections of arbitrary lines, you must have some authority or power subsequently, on sufficient reason being shown, to vary your limits to meet particular cases?—Yes. I think it would be very important to give some Government Department qualified to deal with this, such as the Local Government Board or Board of Agriculture, power to modify the standards according as knowledge and practice vary.

873. Another one of the points that you mentioned was about the public looking after itself in matters of flavour. A great deal of the whiskey that is sold in this country is sold in public-houses, is it not?—Yes, I imagine that is so.

874. The majority of it?—I have no knowledge of that, but I imagine that it is so.

875. Can you say whether whiskey as sold in tied houses is usually of one particular class of whiskey?—As a rule I believe it is. In tied houses in London the brewer does not supply the whiskey. In many cases the unfortunate publican obtains a second loan from the distiller. He obtains his first mortgage from the brewer, and he has a second mortgage from the distiller, and he is tied to that particular distiller for his spirits. That distiller is generally a London man, in London. I cannot speak with regard to the country practice.

876. If the publican is tied to a distiller in a given case in that way he would only sell what the distiller made?—Quite so; his loan would be called in if he did not.

877. I do not want to go into political questions, but if limitation in the number of public-houses should increase the proportion of tied houses the public will be in a position of having to take what it gets from the trade all the more?—Yes, so long as the houses are tied. I think the tied system is a very bad one.

878. Now a question as to flavour. Do I understand that Irish whiskey, as understood in Ireland, is, according to your contention, generally a pot still whiskey?—Yes, with a few exceptions in the North of Ireland it is universally so.

879. And the special flavour of Irish whiskey is appreciated and is known to the public. Is the flavour obtained as a result of the pot still process?—Absolutely.

880. (*Dr. Adeney.*) Do you think you are quite correct in that statement about Irish whiskey being so largely pot still?—Yes, I think so; I think you can draw a line in Ireland where there is patent still and pot still, or where patent still and pot still are made.

881. Is the patent still spirit all being produced in Belfast?—I think there were two in Dublin. I do not think if you drew a line from Dublin to Galway, or from Dublin to Londonderry, you would find a patent still south of that.

882. Is all the pot still whiskey which is produced in Ireland intended for consumption in the unblended condition?—I think if you drew a line from Dublin to Londonderry it is all pot still whiskey, not for blending.

883. (*Dr. G. S. Buchanan.*) You referred to the materials that were used in the grain aqua or in the patent spirit that was present in the Islington samples. Was the proportion of malt and of other ingredients brought out by any definite evidence in those cases?—Yes.

884. Was this accepted merely on the statement of the person who produced it?—No, taking this particular case, Stevens, Buer and Company, someone from their warehouse was called.

885. Did he produce the books?—I cannot remember that off-hand.

886. In that case there was 25 per cent. of malt and 75 per cent. of Indian corn?—He must have produced evidence about that. The evidence is available; I have it.

887. With regard to Mr. Fordham's definition, which you spoke of here, as to what was Irish and what was Scotch whiskey, I think you said you had to ask the magistrate for the purpose of the Sale of Food and Drugs Act to fix a standard?—Yes.

888. It is not absolutely essential, is it, for the purpose of the Sale of Food and Drugs Act?—It depends upon what you mean by standard. If you say that the thing is different in its nature, substance and quality from the thing asked for, it almost involves the fixing of a standard. You have to say that the thing which is asked for is so-and-so, and that the thing sold is something different, so that you have got in that sense to fix a standard, have you not?

889. I do not think that altogether follows?—How could you do without one?

890. I should have said the definition; I misled you by using the word standard. You said you had to ask Mr. Fordham for a definition of what was whiskey?—Yes.

891. It was that that was in my mind. Is a definition essential to showing for the purpose of the Sale of Food and Drugs Act that an offence has been committed under Section 6; for instance, in this particular case, am I not right in saying that Mr. Fordham, while giving this definition and saying that the particular sample did not correspond with the Irish or Scotch whiskey as laid down in his definition, reserved the consideration of some other cases such as certain proprietary whiskies, and blended whiskies of good price, although they do not come under his definition? He reserved them on the ground that the case was not before him, and would have to be decided separately on its merits when it did come on?—Clearly he did that. May I say you can have a negative definition which need not be exhaustive. For instance, you know that it is daylight now, and you know that it will not be daylight six hours hence, and though you would have no doubt in saying that it is daylight now, it would be difficult to say when daylight ended and darkness began. Therefore, in that way it is easy to say that patent still whiskey is not whiskey.

892. I rather gathered from your proof that before you could take any action under the Sale of Food and Drugs Act with regard to bread or whatever it may be, you must prove definitely what is bread from one end to the other and get a regular definition of it?—Yes, or else what is not bread.

893. What is not, very often, is much easier to show than what is?—Yes, much easier.

894. May I read you this definition of whiskey from the Sale of Whiskey Bill that has just been introduced

in this Session? Does that represent practically your definition: "The expression 'whiskey' means the product of the distillation of the fermented wort of pure malt, or of malt and corn with yeast and distilled in a pot still." I do not know if you agree with that?—No; I do not like the word "corn" there. I think it requires a definition.

895. (*Chairman.*) If you say it is impossible to distil maize mash in a pot still, that is not a serious objection?—I do not think it is impossible to do it, but it is impossible to distil from a maize mash a spirit that anybody would think was Scotch or Irish whiskey—quite impossible.

896. But it would be whiskey?—Yes.

897. (*Dr. G. S. Buchanan.*) You spoke of Bourbon whiskey, which I have no knowledge of at all. I gather you would like it to be sold as whiskey without any qualification?—Yes, I should think so; I should like it to be called Bourbon whiskey; it is well known under that term, I think.

898. If you went into a shop and asked for whiskey you could be supplied with Bourbon whiskey?—Yes, strictly, but I do not think you would drink it. The difference is so obvious that the ordinary consumer would refuse to take it.

899. I do not see why you insist upon a specific name of Scotch whiskey and Irish whiskey for those particular products, if you do not require a similar specific name for Bourbon whiskey?—I am quite ready to make the definition stricter if necessary. Scotch whiskey and Irish whiskey are recognised species of whiskey. They have a different flavour, and so on, and a consumer expects a certain thing when he asks for one or the other, as distinct from the generic term of whiskey.

900. You spoke about drunkenness in relation to the character of the different kinds of spirit used. You said that pure alcohol, or ordinary patent still spirit, would not satisfy a man so well as the more flavoured alcohol. Was your contention this: that the more strongly flavoured whiskey is, the more economical it is, because a man does not drink so much of it?—Yes, he puts more water in.

901. That is a common experience, is it not, that the strongly flavoured whiskey is a more economical whiskey?—Yes, in that sense. It seems to be an evil that where you want to dilute a thing that you should dilute it with alcohol.

902. You were asked a question about the definition of brandy. Can you say anything about it, or can you tell us where to get the definition of brandy that is in use under the French law; do you know the restrictions?—No, I do not think I do; I can get them for you. You get the definition in the book of those celebrated French analysts, Girard and Cuniasse.

903. Assuming that there was any special objection on health grounds to a perfectly new spirit, that is a new spirit as distinct from an old spirit, the use of the patent still would in some way enable the new spirit to be used more readily, would it not?—I think so. I think there would be less objection to new patent than new pot.

904. New pot is practically undrinkable by an ordinary person?—They say if it is absolutely new, you can drink it, but when it is a month old you cannot.

905. Can you tell me whether the pot still product which is used for blending the sort of whiskey that was sold in Islington is a new spirit?—I think in one case it was four years old. That was 1901; that is judging from the invoices. I am assuming the invoices were correct.

906. Dr. Brown asked you about the difference of profit that was made. I gathered that the profit made by the retailer, or the profit made from beginning to end of the transaction, was something like 8s. 4d. a gallon?—Yes.

907. And the difference which would have been made if the publican had supplied a pot still whiskey would have been less than a penny, or about a penny?—Three farthings is the difference which the retailer would have made.

908. (*Chairman.*) On what?—On a pint.

909. (*Dr. Horace T. Brown.*) 6½d. on a gallon. 8s. 4d. per gallon, of which 6½d. represents the difference in price.

910. (*Dr. G. S. Buchanan.*) I suppose it might be put if the retailer makes so large a profit, as he evidently did in this transaction, he might be expected to give a better article?—I think that is the natural assumption.

911. (*Chairman.*) You said just now that you thought a Government Department might take charge of the standard and modify the standard. In what sense do you use that word "standard"?—I was rather thinking of a concrete instance. There used to be a great difficulty about milk, and public analysts differed as regards their standard for milk. The Board of Agriculture was authorised to fix a standard for milk which now governs all analysts and all Courts.

912. That is a certain proportion of water?—Yes.

913. That is perfectly simple, but please apply that idea to this. You do not want to stop the sale of this patent still whiskey at all?—No.

914. All that you would ask is this. There would be no standard there, but it would be simply a matter of declaration to the public that it was patent still whiskey?—I should a little object to the word "whiskey"; say "patent still spirit."

915. Where does the standard come in? Is it on the question of blend?—The question would first of all be whether patent still spirit was to be called whiskey. That has to be settled first.

916. I should not call that standard. You are speaking of a Government Department standard. I want to know how that practically can be done?—Perhaps I ought to say modified definition.

917. You modify the definition of the thing, but take the question of blends. How are you going to deal with that?—I should have thought, if you established this first of all that patent still spirit is not whiskey, it must be that the addition of patent still spirit to whiskey is an adulteration or a mixture, if you established first that it is not a whiskey.

918. You said, "If you put water into these spirits." You do not call that adulteration?—Beyond a certain point it is. Beyond 25 per cent. under proof it is not whiskey, or rather it is an adulteration.

919. Your proposition would be that patent still whiskey blended with pot still whiskey amounts to an adulteration?—Yes.

920. Ought not you to forbid it?—You only forbid adulteration below a certain point when you add water. It is really a question of the knowledge of the purchaser.

921. What is the necessity of the modification of such a standard?—I admit my definition might have to be qualified by various circumstances or various facts, which were not present to my mind, and which may be elicited by this Commission. Those facts and circumstances might not be elicited here, but might be elicited by experience, and it might be found out that the definition was too strict, or too lax. It would either let in things that ought not to be allowed in, or would keep out things that were fairly entitled to come in; and it would be rather a good thing to have a little elasticity in the framing of the definition from time to time, according to experience.

922. (*Dr. G. S. Buchanan.*) You would not want a Royal Commission each time?—No.

923. (*Chairman.*) Nor a new Statute?—Nor a new Statute.

924. Would you give the Government Department power to prohibit the sale of what you call adulterated whiskey beyond certain points?—No; not to prohibit it absolutely.

925. What then?—To state what knowledge should be given to the public of what there is in the particular bottle.

926. But your whole principle is that the knowledge of the truth should be always given?—Yes; always.

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927. What do you want more?—At the present moment the reason why the Commission is here is that people differ very widely as to what whiskey is, and they say that "Scotch Whiskey" may be applied to dozens of things.

928-31. You say that the proportions in a blended whiskey may change?—I do not mean that; but I meant, rather, as to the materials that might be used in making whiskey.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

THIRD DAY,

Wednesday, 4th March, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. A. J. Walter.
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Mr. ARTHUR J. WALTER, K.C., called.

932. (*Chairman.*) You are one of His Majesty's Counsel?—Yes.

933. Were you instructed when the proceedings were taken at the Police Court to appear on behalf of the defendants?—I was instructed at the Police Court with Mr. Fletcher Moulton on behalf of the defendants.

934. Afterwards, as we know, Mr. Fletcher Moulton was made a Lord Justice, and then you were leading Counsel at Clerkenwell?—I was leading Counsel at the Quarter Sessions at Clerkenwell.

935. We know there were two defendants, Wells and Davidge, and technically you appeared for them, but I believe your real clients were distillers in Scotland and Ireland?—That is so, my Lord.

936. We may call them generally those who are known as the patent still distillers?—That is so.

937. We have had it from Mr. Bramall, but we will also take your view: what do you say were the charges that were made against those two defendants? You will confine yourself I presume to the information or the summons?—Yes. The charges in both cases were charges made under the Food and Drugs Act, 1875, that both defendants had sold to the prejudice of the purchaser an article not of the quality demanded. In one case a purchase was made of Scotch whiskey and in the other a purchase was made of Irish whiskey. It was alleged in each case that an article not of the quality asked for had been supplied, and the certificate of the Inspector went on to describe what whiskey was.

938. That was in the summons?—In the summons or in the document attached to it.

939. Substantially it would be part of the complaint?—Yes. Then it was alleged what Scotch whiskey and Irish whiskey meant.

940. Would you refresh your memory if necessary by looking at the certificate?—Yes, I have a copy of the certificate of the public analyst. It was alleged that Irish whiskey (that was the case of Wells) must be made in a pot still, but that it must be a product of the distillation of barley, malted or unmalted, and wheat, but subsequently that was altered by the addition of oats and rye. It was further alleged that the article sold as Irish whiskey must contain at least 380 parts of impurities per 100,000 of absolute alcohol.

941. You say that was the Irish whiskey case?—Yes. The same thing was the case with regard to Scotch whiskey, and in neither of the summonses was any distinction drawn between Scotch whiskey and Irish whiskey. They were both defined solely as products of the pot stills made from a mash having the constituents that I mentioned, and that that must contain not less than 380 parts per 100,000 of absolute alcohol.

942. The impurities did refer both to Scotch and Irish whiskey?—Yes, my Lord.

943. We had better follow out the proceedings. Before the magistrate, Mr. Fordham, there was a conviction?—Before the magistrate there was a conviction.

944. Then there was an appeal to Quarter Sessions at Clerkenwell and the magistrates were equally divided?—Yes.

945. Therefore the appeal fell through—at least it was not determined?—Yes.

946. And in consequence of this Commission it has not been revived?—It has been adjourned from time to time.

947. But it has fallen through now?—It has fallen through I believe altogether now. I am told by the solicitor who instructed me that it in fact still stands respited.

948. But no other proceedings have been taken?—No other proceedings have been taken.

949. I ought to have asked this of Mr. Bramall, but it will be the same coming from you: the evidence for the prosecution before the magistrate, Mr. Fordham, consisted in calling Dr. Teed, the analyst of the Islington Borough?—That is so.

950. Then there were other witnesses, experts, called—I am not speaking now of the witnesses to the sale or anything technically?—I think the only strictly expert witness who was called on behalf of the prosecution was Dr. Teed, the public analyst.

951. That was before the magistrate?—That was before the magistrate, and I think before the Quarter Sessions, too, on behalf of the prosecution.

952. But there were other witnesses called?—There were other witnesses called. They called various pot still distillers, and they called a certain number of members of the public who gave their views as to what whiskey meant.

953. What was known by the public as whiskey?—What they considered as members of the public was meant by whiskey.

954. So as to explain what the person would expect to get if he asked for it?—That I believe was the view with which the evidence was given.

955. Was there an extension of the evidence at Quarter Sessions?—At Quarter Sessions there was considerably further evidence given than that which was given before the magistrate.

956. There would be an extension of the evidence on both sides, I suppose?—I think on both sides, but certainly on the part of the defence.

957. And I suppose the evidence given by way of extension at Quarter Sessions followed the same lines as that which was given before the magistrate?—Except this, that before Quarter Sessions, owing to the view that the learned magistrate took, there was a great deal more trade evidence called on behalf of the defence, showing the large sale for many years both by wholesalers and retailers of the product of the patent still as whiskey, Scotch and Irish.

958. You have told me what was the case in substance put forward by the prosecution, and, if necessary, I can recall Mr. Bramall if he differs at all. What was the main feature of the case put forward by the defence?—The main feature of the evidence that was put forward on the part of the defence was, shortly, as follows: It was first contended on behalf of the defence that Scotch whiskey could only be the product of manufacture in Scotland, and that Irish whiskey could only be the product of manufacture in Ireland.

959. That I should think would be admitted?—That was our contention all through, and as I called your Lordship's attention to it in alleging the offence in the summons, no distinction was drawn between the Scotch and Irish whiskey. Then the next contention on behalf of the defence was that whiskey was the name for a spirit distilled from a mash of cereal grain; that the starchy matter of the grains could only be converted into saccharine by the diastase of malt; that you could not use acid or anything of that kind for the purpose of producing the potable spirit, whiskey. It was further contended (which was only the negative of the former proposition) that neither molasses nor potatoes nor anything other than cereals could be used for the production of whiskey or of Scotch whiskey, or of Irish whiskey. Then evidence was led on behalf of the defendants as to prior user.

960. What was your contention in respect of maize?—Our contention was this, and that was the next point I was coming to. It was proved that in 1846 maize began to be imported into this country owing to the repeal of the Corn Laws, and it was proved that for over fifty years at least maize had been used as one of the constituents of the mash for the production of whiskey.

961. In both stills?—Whether in the early stage it was in other than the patent still I do not know, but it was proved that it was being used at the present time in a pot still as one of the constituents of the mash for the preparation of pot still whiskey.

962. You say a pot still; was that one still or was it general?—The only evidence given was of one which was, I think, a case of the Caledonian Distillery. I remember evidence was given in one case of that being done. The defendants contended that as maize, which was used like other cereal grains because of the starchy matter contained therein, had been used for over fifty years, it was impossible for the prosecution to support their first contention that maize was a substance that could not be used for the preparation of whiskey.

963. That, of course, is only one point. Would it inconvenience you now if you gave to the Commission what you contended, or what you say should be contended to be your definition of whiskey?—It was contended on the part of the defence that the definition of whiskey was this: A spirit obtained by distillation from a mash of cereal grains saccharised by the diastase of malt, the starch converted into sugar by the diastase of malt. It was to that, and that alone, that the defendants, for whom I was actually appearing, contended that the term "whiskey" should be applied, and that the Scotch whiskey should be limited to whiskey prepared in Scotland in that manner.

964. Of the character you mentioned?—Of the character I mentioned, and that "Irish whiskey" should be limited to whiskey prepared in Ireland in the manner I have mentioned, and that "whiskey" should be limited to a product obtained also in the way and from the materials I have indicated, and that the term "whiskey" could not be applied to anything obtained from potatoes, or anything other than cereal grains, and even from cereal grains the conversion of starch into sugar could not be made by other than malt.

965. Do you say may be made by other than malt or must be made?—It must be converted by the diastase of malt and not by acid. That was the contention put forward on behalf of the defendants in that case. They said that whiskey had never been made other than by that conversion, and that the term "whiskey" could not properly be applied to materials other than that.

966. Failing these conditions that you have mentioned, you would admit that the product would not be whiskey?—That was our contention.

967. For the protection of your trade?—It was the contention of those whom I represented in this case that nothing else could properly be designated whiskey.

968. You have used the terms Scotch and Irish whiskey and the general term "whiskey"?—Yes.

969. Would that include English whiskey?—Whiskey apart from Scotch and Irish whiskey. It was desired to give the same limitation as to the mash and to the methods of conversion, but, of course, it could be made in other places than Scotland or Ireland, and then could properly be described as "whiskey."

970. Made in England?—Yes.

971. Would Bourbon whiskey, the foreign whiskey, come in under that?—Undoubtedly. Bourbon whiskey is a product of maize—a cereal grain.

972. What do you include under the term "cereal"?—Barley, wheat, oats, rye, maize.

973. Rice?—Rice was not included. Rice was not a substance which upon the evidence had ever been used for the preparation of whiskey.

974. I thought there had been some?—Not so far as my recollection serves me. The evidence for the defence was, that no substances other than barley, malted or unmalted, wheat, oats, rye, and maize, were used. Then as regards the methods of preparation the case as made on behalf of the defendants was shortly as follows:—The mash, whatever vessel is to be used for distillation, was prepared in precisely the same way, that is to say, the starchy matter in the grains was converted into saccharine matter by the diastase of malt, and then under the action of fermentation the chief product, of course, was ethyl alcohol, which is the chief product of all fermentation by yeast on a saccharine matter. There are in addition to the ethyl alcohol the various higher alcohols, the methyl, the propyl, the butyl, and the other higher alcohols. There are the ethers and the compound ethers, and there are the aldehydes and acetic and other acids. All these are bye-products and necessary products of the fermentation process. The evidence that was given on behalf of the defence was that in the method of preparation of the mash for distillation in the patent still the results were identical up to the stage at which the fermentation ceased. Then evidence was led on behalf of the defence as regards the process of the distillation in the pot still. It was pointed out that that process was as follows:—That in a pot still first of all the whole of the solid matter, the water, the ethyl alcohol, and all the other bodies I have mentioned, which may be called bye-products, or which in the summons are called impurities—that all those were put into the wash still, and that they were then distilled either by live heat applied outside the still, or by steam jacketing the outside of the still, or by steam coils within the still, and that the whole of the volatile matters were distilled off from the wash still, that is to say, that was the first fractionating process.

975. What does that mean?—It was separating the wash into fractions. The water, the solid matter, and possibly some of the very high boiling point bodies remained in the spent wash, which was all that remained in the still after the distillation process had gone on. The whole of that was run away. Then the product that came over containing all the alcohols and other bodies, which is now the low wines, the low wines were then in Scotch practice re-dis-

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tilled, and again the process was a process of fractional distillation.

976. Is this as regards both stills or one?—I am dealing first with the pot stills. I will deal with the patent still afterwards. With regard to the pot still the evidence was this: that, after you had got the low wines which contained the water the ethyl alcohol and the other bodies, that was again subjected to a second distillation, which distillation was conducted either by external heat, by fire, by steam jacketing, or by steam coils within the still, and that what was done was—you gradually raised the temperature. First of all, the low boiling point bodies began to come off, and those were technically called feints. All those were rejected. Those do not constitute whiskey, and in the pot still do not enter into the composition of whiskey. The feints having passed off, the man in charge of the still detects when ethyl alcohol is coming over, and he then disconnects the feints receiver and connects the worm. This being the still, the distillate comes over *here* and passes into the worm, and when that which is passing off from the end of *this* pipe is detected to be spirit then the feints receiver is disconnected, and the spirit receiver is connected and the spirit comes over. There comes a time, however, when the man recognises—and on the evidence it was shown to be the fact that a small portion of the liquid became turbid when placed in water—he detects that an undue proportion of bodies being the higher boiling point bodies, the higher alcohols, were beginning to come over. Thereupon the worm is disconnected from the spirit receiver, and those which come over are separately collected. Those are the feints. The foreshotts were those that first came over. Then what comes over after the spirit is the feints. The only thing that was whiskey was the intermediate product of this process, which is the fractional distillation. This matter was further given in evidence that in whiskey distillation, as in every process of fractional distillation, though you endeavour by a fractional distillation to separate out a compound body into its parts, it is impossible to completely separate so that when whiskey passes over, some of the foreshotts have lagged behind and come out with the whiskey. Some of the feints are dragged forward and pass out with the whiskey, so that you obtain by the distillation in the pot still a fraction mainly consisting of ethyl alcohol, but containing certain bye-products, aldehydes, ethers, compound ethers, and higher alcohols and acids. That was the process of distillation as described in evidence with regard to distillation in a pot still according to Scotch practice. As regards Irish practice it differed slightly in that at times there was a third fractional distillation. Now that was the pot still distillation. It was contended on behalf of the defendants that the patent still differed in no essential feature from the pot still distillation. First of all, in the pot still there is a large quantity of water present with the ethyl alcohol and the other bodies; that water is by the action of heat converted into steam, and the steam carries over with it as it passes over through the worm all the more volatile products—the ethyl alcohol and the other bodies. So that live steam was an essential feature of every system of pot still distillation. That was the evidence that was given both before the magistrate and before the Quarter Sessions. Now, coming to the patent still distillation it was pointed out that that differed in no essential respects from the pot still—in fact it was only a small series of pot stills. That was the evidence that was given. There were two columns in the patent still, one the analyser, and the other the rectifier. If I may trace it out from the wort tank, the wort containing the solid matter, the water, the ethyl alcohol, and all the bye-products, was passed, first of all, through the rectifier in a pipe. It entered cold. It passed backwards and forwards through the rectifier, being heated as I shall afterwards point out, by that which was coming from the analyser, so that the wort entered at the top cold and passed out at the bottom nearly boiling, and came up by a pipe and entered at the top of the analyser. Inside the analyser were a series of trays down which the contents of the wash passed. Instead of heating this whole structure by a fire or by jacketing it, you passed live steam into it. The live steam entering at the bottom gradually heated up—it affected the top first where it met the incoming wash, which was nearly boiling at the time, and the steam carried off with it all the volatile matters; it carried off the ethyl alcohol, it carried off all the bye-products, the higher alcohols, the ethers, and all the others, and then passed off into the bottom of the rectifier. Now, in the rectifier, products of different boiling points were separated; there was again a series of trays. Now, as I pointed out, the wash entering at the top was cold, and at the bottom was hot. There was a graduated temperature from the top to the bottom of the rectifier, and at various stages the different products separated out, and at a point where the majority of the product was ethyl alcohol, at that point the spirit pipe was put and drew off the spirit, but as it was pointed out in evidence, in that form of still, as in every form of still, you cannot alter the laws of nature. You cannot separate by fractional distillation these various boiling point bodies one from the other. It is a more perfect still as was given in evidence than the old pot still, but a still can only partially fractionate, and the evidence given on behalf of the defence was, that the spirit drawn off from the rectifier at the point where its chief product was ethyl alcohol, contained every body which was present in pot still whiskey, but the proportion, owing to the more perfect apparatus, was less than the proportion of the impurities presented in the product of the pot still.

977. Is the result of what you are saying that, according to you, the two processes were substantially the same?—I think I am correctly summing up the evidence when I say your lordship has put really what the evidence was. It was a difference in degree and not in kind at all.

978. I should be putting a question to you on a subject with which you are familiar if I ask you was Coffey's patent a good patent?—I think it would have been a very good patent. It is, of course, a very early patent—1831, but I think it undoubtedly would have been a good patent.

979. And no previous user?—No. I happen to know, because in another case in which I have been recently concerned it happened to be the earliest of the stills that was referred to.

980. They could not have been substantially the same?—No, but this was a more perfect still. That was the broad nature of the evidence given, that it was a more perfect still designed for fractional distillation, but that it suffered from the defects of all apparatus for fractional distillation. Then it was pointed out in evidence that the pot still had passed through various progressive stages, and from the original kettle with the wooden pipe leading from it various improvements had taken place in pot stills having as their object the same thing as patent still, namely, the better purification of the distillate, and that long arms, and tall heads, by which some of the distillation products dropped back again into the still, that all those matters were added.

981. In the first place, the pot still was generally very old?—Very old.

982. What do you say as to the product of those stills? If you use the same materials in pot and patent still what would be the product of each?—The evidence is that the product as regards materials would be identical, but that the proportion of the bye-products to the ethyl alcohol would be higher in the pot still than they would be in the patent still.

983. What is the practical result to the consumer?—The practical result to the consumer upon the evidence as given by witnesses who had used both was——

984. On which side?—For the defence—the evidence given was that it was whiskey, that it possessed all the characteristics of whiskey, but taking the patent still it was a milder whiskey than the pot still.

985. Is that mildness a virtue or not?—If I am asked personally I consider it is. I personally drink nothing but patent still and have not for many years.

986. On account of its mildness?—Yes—the same as Sir James Dewar. I first drank it at Sir James Dewar's house, and I was so delighted with it that I never drink anything else. As a matter of fact, I drink very little, but whenever I do I prefer the patent still. I cannot stand the pot still.

987. The pot still whiskey would be a stronger whiskey?—It is not stronger in the sense of being more alcoholic, but it is a stronger flavour, undoubtedly.

988. Would a person be able to take more water with the one than with the other, and produce the same result?—I doubt it.

989. If there is a stronger flavour it would bear the greater dilution, would it not?—It may be so. That I do not know, but it is a question. I should have thought the water was purely and simply a matter of taste. I am, of course, only giving your lordship the summary of the evidence that was given. I do not pose as an expert myself, although I do happen to know something about these subjects. The evidence, I think, amounted to this, that the potential material was the ethyl alcohol and the dilution with water seems to be much the same whether you dilute pot still or patent still.

990. But a person would get more to drink if a wineglassful of whiskey would stand a tumblerful of water and the other, the milder, would only stand half a tumbler. If a man is thirsty he has more to drink?—It may be so.

991. You have told us your view as to the result. Now about the expense?—The evidence given was this, the expense was divided into four heads. So far as regards the mash the evidence was, there was practically nothing in it whether you had maize as a part of the mash or whether you had the ordinary pot still mash, there was substantially nothing in the price because the price of maize was at times higher than the price of barley, and substantially there was nothing in the price.

992. You are now talking of the expense to the distiller for production?—Yes. The great saving to the distiller was this, that the Coffey still was a continuous process still and not an intermittent or interrupted still as the pot still was. That for the same capital expenditure the capital cost per gallon spread over any particular period was very much less for the patent still than it was for the pot still. Further, that the cost for coal was very considerably less for the patent still than it was for the pot still, and, further, that the cost for labour for working the patent still was also very much less than the cost for working the pot still.

993. Could you give us any approximate figure of the proportionate cost of production of the two?—I think I can put my finger on the actual cost. I find that in the evidence given by Mr. Calder, a distiller, at page 260 of the notes of the proceedings before Quarter Sessions, he was asked this question: "Can you compare the cost per gallon of coal required for the production by the pot still and by the patent?—The cost would be about twice as much in the one as in the other." That is as regards coal. "Now as regards labour, can you tell us about the average proportion paid for labour per proof gallon in the case of the pot still and in the case of the patent still?—I should say at least twice as much."

994. That is by the pot still?—Yes.

995. That does not reduce it to a figure?—I am afraid I cannot give your lordship the figures. It was somewhere in the neighbourhood of, I think, about 1s., which was the actual cost per proof gallon. I believe it was somewhere in the neighbourhood of that, but I cannot give your lordship the exact figure. Witnesses will come who will give your lordship accurate information.

996. Can you also now refer us to any evidence that was given as to the usual difference in price charged by the distiller to the retail dealer?—That varied entirely according to age. The evidence given was that patent still, new, varied, from, I think it was, about 1s. 6d. up to, I know, as high as 7s. a gallon.

997. That is without duty?—That is without duty, that is to say, that patent still spirit which had been kept in bond for some seven, eight, nine or ten years, in which, of course, the evaporation had taken place, and in which, of course, the changes due to age had taken place—it was given in evidence that as high prices as 6s. and 7s. per proof gallon were paid for old patent still spirit.

998. Cannot you draw a comparison of prices between old and old and new and new?—Personally, I cannot. I do not think the evidence justifies me in stating what I know your lordship will be able to obtain accurately from other witnesses.

999. You will leave that to others?—Yes.

1000. From the evidence can you tell us anything about the practice of blending?—Yes. Several blenders were called on behalf of the defence, and the evidence given roughly was this: They said that for many years, running back in some of their recollections to, I think, forty years ago, a patent still spirit had been used to blend with pot still spirit, that the blend produced by that was not a mere dilution, but was an essential feature to bring out the respective flavours of the pot and patent still; to use a phrase that was used, I forget whether in evidence but I think it was in evidence, that it was necessary for the proper marrying of the spirits that patent still spirit should be used; that the demand had largely arisen for milder spirits than the pot still spirits were—milder in flavour; that that want could only be met by the blending of pot still whiskey and patent still whiskey. It was further in evidence that patent stills differed considerably amongst themselves; that the products of different patent still distilleries were quite distinct in their flavours and in their qualities; Cambus, Carsbridge, Caledonian, and the various other patent stills differed from one another, and could be detected in their flavours from one another; that the prices paid for them varied, and that it was part of the blender's art and one of his most valuable trade secrets to know in what proportions to blend what patent still spirits and what pot still spirits in order to produce the particular flavour which his whiskey was known for. The blenders, in consequence, objected to being compelled in any way to indicate the proportions of their blends upon any labels that were placed upon the whiskey. That was the general nature of the evidence as to the blending. It was given also in evidence by blenders and others that patent still spirits matured in precisely the same way that pot still whiskey did. The contention on the part of the prosecution was this: they said this patent still product is a mere silent spirit which has no characteristics, and you put it in old whiskey casks, or you put it in sherry casks, in order that in the process of time it shall acquire a flavour from those and pass as whiskey. The evidence given both on behalf of the distillers and blenders for the defence was that that was not the case at all, that when kept in plain wood the same changes went on as went on in the pot still, and the technical evidence by Sir James Dewar and Dr. Tatlock, and others given on behalf of the defence, was that the process that goes on of ageing is a process in which the oxygen of the air plays a large part, that there is a breaking up both in the pot still and in the patent still by age of some of the bye-products which are present in the new whiskey, and that these features which largely give flavour and taste to these articles are substances which chemistry at present has not been able to define. They cannot be isolated; there is no chemical test known for that which gives the flavour, but Sir James Dewar said that both in pot stills and in patent stills the same process of ageing went on in both of the two types of whiskey, the patent still and the pot still.

1001. Is there any difference as to the effect of the duration of time upon maturing between the two?—Undoubtedly. It was given in evidence that the patent still became mellower earlier in time than the pot still.

1002. There was less resistance?—There was a less proportion of the bodies in it, and they required less time to become altered.

1003. I suppose the evidence was that the blending did produce different characters of whiskey, so that a person accustomed to drink whiskey could tell the difference?—Undoubtedly. The evidence given on behalf of the blenders was that their particular blends of which they had knowledge, as to what pot stills they took, and what patent stills they took, produced certain flavours, the secrets of which, as they gave in evidence, were matters of high commercial value to themselves.

1004. Take the leading Scotch distilleries. I think Glenlivet is a pure pot still?—I believe so, but I have no personal knowledge.

1005. But certain of the distilleries obtain a character for a particular flavour by virtue of blend?—Yes, the evidence went further than that. The evidence given as regards flavours, if I may amplify that in a moment, was this: there is no one spirit which is known as Scotch whiskey. There are five

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distinct classes of Scotch whiskey. There are the Highlands, the Campbeltowns, the Islays, the Lowlands, and the Grains—the Grains being those from the patent still; that the proportion of impurities in those varied infinitely among themselves, and infinitely in class; that the flavour of each of those classes was quite distinct, yet that all of them were properly described as Scotch whiskies, but that there was no characteristic feature which was common to all the classes, and as one of the witnesses who was called on behalf of the defence said—he made at the time what struck me as being a very happy simile—he said, if you go into a grocer's shop and ask for tea you cannot grumble if you get China tea, although you have been in the habit of drinking Indian, and if you have been in the habit of drinking a blend you cannot grumble if you get either a China or an Indian tea, or a blend. So that if you go and ask for Scotch whiskey, and you have been accustomed to drink Highland whiskey, you might not at all like it if you got Lowland whiskey, but you cannot complain, because you have asked for Scotch whiskey, and whether it be Lowland or Highland, Islay, Campbeltown, or grain, they have for many years, certainly for fifty years, including grain, been described as Scotch whiskey, sold as Scotch whiskey, and asked for as Scotch whiskey. Of course, there was a large body of evidence given that old grain whiskies, that is old patent still whiskies, were immensely sold in Scotland.

1006. See if I can get the effect of these matters from you. Taking an ordinary person drinking Scotch whiskey who would be in the habit of having it from one particular distillery, he goes and asks for Scotch whiskey at another vendor's, and he obtains it from another distillery. Would the difference between those two Scotch whiskies be so great that the ordinary person would detect them?—Undoubtedly. The evidence given was this, that there was a far greater distinction between Highland and Lowland than there was between Lowland and patent still whiskey.

1007. Where do you say would be the injury to the patent still distiller, or the pot still distiller, if some mark is put upon the vessel that contained the whiskey, be it cask or be it bottle, which showed what was the character of the whiskey being sold, because you have shown there is a different character, and why should it not be shown to the public?—The position that was taken on behalf of my clients was this, that they had not the remotest objection to their whiskey being described as grain whiskey, or the blends being described as blends of pot and patent still whiskey. They had no objection to that at all, but they said, if you are going to do that for the patent still people it is only fair that everybody should be compelled to state either that it is patent or, if you like to go further still, that you shall say it is Islay or Campbeltown, or whatever it may be. What was sauce for the goose they did not have any objection to being sauce for the gander.

1008. Or sauce for the other goose?—Or sauce for the other goose.

1009. I want this from you particularly: in the first place, they would not object, would they, to the statement being made that it was either pot still or patent still?—I think not. The gravamen of all their objection was, they said this is whiskey which for fifty years has been sold and called whiskey, and so long as it is called whiskey we have not the least objection.

1010. It would still be called whiskey. I do not know whether the public would discriminate very much between pot and patent, but I wanted to know whether those you represented would object to the fact being stated of it being pot still or patent still?—Again I am only speaking from the evidence which was given in the Court below. I have no knowledge other than that which I gained as advocate in the case, but the view that was then taken on behalf of my clients was that some such definition as your lordship has indicated there was no objection to whatever.

1011. Would there be any objection to stating, in addition to stating Scotch or Irish, the distillery from which it came?—The real difficulty that arises there, as pointed out in the evidence, was this: there is so much reblending of blends, and although you might on an original blend, say, of two particular distilleries, put down what it was, when it came to reblending and reblending the real difficulty that was pointed out was that it was impossible in cases of reblending to say exactly what it did consist of.

1012. There would be no objection, I suppose, to stating the distillery that sends it out to the retailer—that would be after the blends were made?—The evidence given was that the blend was chiefly done by blenders who were themselves merchants, and that the blending is not done by the distillers themselves.

1013. I see in one of these very cases the blending was done in Mincing Lane?—Yes, and, of course, the cask from the distillery goes out with the invoice, whatever the distillery may be. It is clearly indicated there.

1014. I see the difficulty of that. It is a minor point, but there could be no objection to stating the age of the whiskey, could there?—There, again, the same serious difficulty comes in as in the case of blending and reblending, if you take a three year old patent still and a ten year old pot still.

1015. If it is unblended whiskey there could be no objection?—Not the least, as far as I know. The evidence given was that a great number of publicans who were called from Scotland advertised their wares by labels over their shop front windows and on their bottles "ten year old Cambus," and it was one of the indicia of virtue that they had.

1016. Can you suggest anything as to the extent to which the materials might be mentioned?—I doubt very much whether there can be any advantage, certainly, judging from the evidence in putting the materials. So far as I know the views of the trade they desire to be confined to a cereal spirit produced by malt. After all, there seems to be little reason why the source of the mash should be defined, and it is very, very difficult in the case of blends to know how you are going to define it. One would have to have a label covering up all the bottle if you define all the materials. I see great practical difficulties in it.

1017. The question of the blend presents itself to the Commissioners, no doubt, as being a difficulty, but we must speak of unblended whiskey?—The only evidence as regards the sale of the patent still spirit neat was given by vendors who came from Scotland, who sold it as the very finest brand. The evidence which was given was very peculiar. When you wanted to have a special whiskey the special whiskey was the old pure patent still spirit. That was their "Special," and when you wanted a cheaper whiskey you had a blend.

1018. Surely the pot still whiskey would be an old-fashioned whiskey, too?—Yes, but the evidence given from Scotland was very curious on that. There was evidence for the prosecution from the North of Scotland, where there is much pot still still sold, but the evidence from the neighbourhood of Glasgow and Rothesay and the southern parts of Scotland was that they had no demand for pot still at all, that they never were asked for a pure pot still, that they did not keep it, and it was all for the mild blends, and their chief demand in some cases was for pure patent still spirit. Cambus seemed to be one of the things that they chiefly sold, and, as bearing on that, some of the witnesses bought it new and kept it themselves until it aged; others bought it old, and, of course, the price they gave varied. Some of the witnesses spoke of the great cost to them that Cambus was, and, so much so, that they sold it at 10d. a gill, obtaining quite a high price.

1019. Was your attention called to the evidence given here the day before yesterday by Mr. Tedder from the Inland Revenue?—Yes.

1020. Have you any observation to make as to the number which he gave of pot still distilleries and patent still distilleries?—I have no materials to enable me to do so.

1021. We have endeavoured to deal with the production and also the materials. What do you say as to the price that a retail dealer selling across the counter charges relatively for pot still whiskey and patent still whiskey?—The evidence does not enable me to form any view that can assist the Commission.

1022. If you have said anything with regard to it I do not think we should bind the distillers by it?—I have endeavoured to refresh my memory by perus-

ing a number of documents, but it is very difficult to carry it in one's head.

1023. I have worked out my own views as to what I think is important, and my colleagues will ask you anything that occurs to them. Is there anything else that you desire to call attention to?—There is one matter which I have not referred to which I should like to call attention to, and that is this: in relation to the arguments that were used on behalf of the prosecution, that patent still spirit was a silent spirit. The evidence given was this, that by "silent spirit" you meant something of which the actual origin could not be traced, that is to say, that it was an ethyl-alcohol pure and simple, a rectified spirit.

1024. And it told you nothing?—It told you nothing. The evidence that was given was this, that when rectified spirit was required, rectified spirit could not be obtained from the patent still, that it had to be put through a chemical process and re-distilled in order to separate the bye-products, and that owing to the greater facilities for manufacture the chief portion of the rectified spirit was obtained from the patent still distilled by this rectification process instead of, as formerly, it all being obtained from the pot still.

1025. (*Dr. G. S. Buchanan.*) You referred to the definition of whiskey which your clients wish to put forward. It depended, did it not, on the diastatic action of malt?—Undoubtedly.

1026. That was an essential part?—My recollection of the evidence is that they considered that that was an essential feature in whiskey production.

1027. And in the production of whiskey in patent stills just as much as others?—Yes, just as much in the patent still as in the pot still.

1028. Was any evidence given as to the smallest proportion of malt that is necessary to produce that diastatic conversion?—Yes. Evidence was given, I think, that not less than 15 per cent.—my memory is, I think, accurate on this—that not less than 10 or 15 per cent. was essential, but that it was desirable that it should not fall below 15 per cent., and that the practice was not to fall below 25. The evidence given as to the general constitution of the mashes was that the malt varied from 25 to 33 per cent. You occasionally had 25 per cent. malt and 75 per cent. maize, or 33 per cent. maize, 33 per cent. rye, and 33 per cent. malt.

1029. 75 per cent. of maize would be a usual proportion in many patent still distilleries?—No, the evidence given was that the normal was not more than 50 per cent. of maize, and that in Irish patent still distilleries the average was one-third, but in Scotland it did sometimes go as high as 75, but that was not the average.

1030. Was that given in any detail? Were there many cases in which maize was in as large proportion as 75?—No, that was given as an exceptional case. I think I shall be able to give you the evidence as to the normal. At page 236, question 2812, there was the evidence of Dr. Tatlock, who had a large experience. He was asked: "But you are not prepared to say that, with regard to the spirit, for instance, here, there is not 75 per cent. of maize used?—No chemist can tell that. If it was made in Scotland I should say there was not that; I should say it was nearly equal parts of maize, malt, and rye if it was made in Scotland." Then there was further evidence on that subject at page 254. This was with regard to Scotland. At question 3017, Mr. Calder was asked: "Can you tell me, first of all, your average constituents of the mash for the preparation of this patent still whiskey?—Well, we use from 35 to 37½ per cent. malt, about 30 per cent. of rye, and the balance in maize." Then I think I can give you the average in Ireland. Evidence was given by Mr. Andrew Watt, Chairman of the United Distilleries, Limited, comprising the Irish distilleries of Belfast and Derry, and he was asked at question 3312, "Can you give us what the mash was in the years 1870, 1871, and 1872"—that was the patent still—and his answer was: "About a third of malt, a third of maize, and a third of rye. I have the exact figures, but that is roughly speaking what it was.—Was the rye always used alone, or did you sometimes use any oats?—We sometimes used some oats. Is that about the average that has been used from the year 1870 up to the present time?—About the average.—I think the actual in 1906 is 27·7 malt, 36·1 maize, 36·2 oats?—That is so." That was in the certificate.

1031. In comparing the patent still and pot still process you told us that in the preliminary stage the results were the same up to the stage at which fermentation ceased in each case?—Yes.

1032. That, of course, is dependent, to some extent, on the materials used, is it not?—Of course, but the evidence given was this, that substantially, whatever you take, the result was practically the same, in this sense, that even if you take barley of different years, of different ripeness, of different age with the bye-products the infinitesimal amounts of bye-products varied even if you take only barley. The contention on behalf of the prosecution, as regards maize, was that there was an essential oil which was a characteristic of maize, and that that had some effect, but I think that was disposed of by the evidence of Sir James Dewar, and I daresay the technical witnesses will give you that. Sir James Dewar pointed out that that oil was one of the fixed oils which was not altered in any way by the process, and never passed over at all. Its boiling point I think he said was 500° or 600°. It went away with the spent wash.

1033. But it was not claimed by the defence that the actual worts in ordinary practice as used in a pot still and the actual worts as used in a patent still are identical?—Oh, no.

1034. With regard to the fractional distillation, you told us that the evidence of the defence was to the effect that the pot still process is essentially a fractional distillation process as also is the patent still?—Undoubtedly.

1035. Was any evidence given to show that by a combination of the fractions that were obtained from the patent still you could produce a product with the flavour and characteristics of the pot still?—There was no direct evidence on that point. It was pointed out that if you collected some of the products of the fusel oil trap and mixed the various proportions together that you would obtain a product which would have all those; that all the materials were there, and you could put them together, but I do not think there was any evidence given which would justify me in stating that.

1036. (*Dr. Horace T. Brown.*) Varying the position of the spirit plate?—Yes, if you did that you could draw off a mixture in such proportions as you wanted. There was evidence given to that effect.

1037. (*Dr. G. S. Buchanan.*) That is to say, the patent still could produce spirit of various chemical compositions?—Yes, undoubtedly. Whether you could get an identical proportion at any particular point of the patent still there was no evidence that I can safely rely upon to tell you as to whether you could get a thing containing the identical proportions.

1038. But was there evidence to show that it was commercially practicable to use the patent still by adjusting the spirit plate or otherwise to produce commercially an article with the flavours or characteristics of the pot still?—I do not think any evidence was given to that effect.

1039. If it was practicable no doubt it would be done in view of the greater cheapness of the patent still process?—The views of those I represented was that they did not want to make the body containing this. The public demand, according to their view, was for a spirit that did not contain so high a proportion, and they met that public want.

1040. But I understand the blenders as a rule require some pot still spirit as well as patent still spirit?—Of course, as I say, I have no personal knowledge of this, but the impression I gathered from the evidence of the blenders was this, that pot still was not added because it was wanted to make whiskey, but that pot still was added to patent still to produce a fluid containing a certain flavour which the public wanted, and that the marrying of the two flavours of the pot still and the patent still product produced a product which the public liked.

1041. But my point was, that if the patent still could be used to produce an article with these characteristic and estimable flavours that are wanted by the blender, and are now obtained by him from the pot still, it would be cheaper, and therefore the patent still would probably be used?—Yes, but again I am only venturing with deference to mention this—

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not from the evidence—a patent still, of course, is a more perfect separator than the pot still. It is a higher refinement of art, and, as I suggested in the Court below, I hardly thought that the Food and Drugs Act of 1875 had been passed to prohibit manufacturers from all use of subsequent inventions which enable them to better work their process.

1042. I gather, in defending the case, the primary object of the distillers was to protest against any decision that the addition or the use of, patent still spirit in blends would constitute an adulteration?—They put their case rather higher than that. What they said was this, that certainly blends were Scotch whiskey because you were mixing two different types of Scotch whiskey. But they put their case higher than that, they said there has been a large and continuous sale for certainly over 40 years of patent still spirit alone as Scotch whiskey, and that if patent still spirit alone has been sold and asked for and is Scotch whiskey *ex necessitate* the blend is.

1043. So that in the case of the Islington sample of Scotch whiskey, whether it contained 90 per cent. or 100 per cent. of patent still spirit, it would equally have been defended on the ground that it was Scotch whiskey?—Equally.

1044. Can you tell me anything with regard to the origin of the Islington samples? We were told yesterday by Mr. Bramall with regard to the sample of Scotch whiskey of Davidge that Davidge had bought the spirit from Messrs. Stevens, Buer, and Co., and that the spirit sold by Stevens, Buer, and Co. was a mixture made by themselves. They obtained grain spirit from the North of Scotland Distillery, and pot still spirit from Paisley. 1s. 1½d. a gallon was paid to the North of Scotland Distilleries for the patent still spirit, and that was for spirit at proof. Stevens, Buer, and Co. watered this down to 33 under proof; the cost was 10¼d. The grain spirit was six months old at the time it was sold to Davidge. It was sold as "grain aqua," it was distilled from 25 per cent. of malt and 75 per cent. of Indian corn. I think that was admitted?—I think the information you have here which Mr. Bramall gave was obtained from evidence given on behalf of the defence.

1045. I want to know how the exact origin of that particular grain aqua was traced?—It was traced right through. It was all proved before the learned magistrate. There was no fresh evidence given on that matter before the Quarter Sessions, but it was proved strictly before the learned magistrates. It was traced down from the marks on the cask until it was brought right back to the distillery.

1046. Evidence was given about it?—Evidence was given before the learned magistrate.

1047. It was not merely a statement?—No evidence was given before the learned magistrate tracing it down from the marks and invoices, but it was taken before Quarter Sessions as a statement in order to avoid calling a lot of witnesses.

1048. The Scotch whiskey in question was sold to the public at, I think, 15s. a gallon after dilution to 33 under proof?—I have not considered the question of price.

1049. I want to know whether evidence was given about one question of price, and that is with reference to the charge that was made to Stevens, Buer, and Co. by the Distillers Company. It is worked out here as 10¼d. for the gallon of whiskey that was sold in Islington. Was any statement made as to the profit made by the Distillers Company out of that 10¼d.?—I have no recollection.

1050. You do not know how much of that 10¼d. was the cost of manufacture?—I have not considered this question, but my recollection at this period is, that the cost came up, I think, to 8½d. or 9d. I think that was the actual net cost of manufacture, but I have not addressed my mind to the question of price at all.

1051. (*Dr. Horace T. Brown.*) Your broad contention is, that the product of the patent still is as much entitled to the generic term "whiskey" as the product of the pot still?—Absolutely.

1052. And also that the manufacturer ought to have wide latitude in selecting the particular mode of producing whiskey both as regards the distilling apparatus which he uses and his choice of materials?—Undoubtedly.

1053. Do you happen to know of any similar case in which for the purpose of the Food and Drugs Act a rigid definition has been made of a manufactured article, for which there are alternative methods of manufacture, and wide latitude in the choice of materials used?—Personally I know of none, and I suggested in both Courts that it was an unheard of thing to attempt, under the Food and Drugs Act, to define by a process of manufacture and by one set of materials an offence under the Food and Drugs Act.

1054. (*Chairman.*) What do you mean by "one set of materials"?—Malt or barley or wheat.

1055. (*Dr. Horace T. Brown.*) There is no similar case?—I know of none.

1056. There is the brandy case?—Yes, the brandy case is analogous to this case. Our case was, that whiskey is a spirit distilled from grain, that brandy is a spirit distilled from the grape, and in that sense, of course, we say that it is an exactly analogous case as regards whiskey and brandy. My recollection is that evidence was given that champagne, port, and sherry were all entitled to be called wine, and that sherries varied amongst themselves, and champagnes varied amongst themselves, and if you went to a shop and asked for claret and got an ordinary Medoc, you could not complain you did not get Lafitte.

1057. But with regard to that definition of brandy there was no limitation of the distilling apparatus to be used?—None that I know of.

1058. There was nothing about a pot still?—None that I know of.

1059. You also contended, did you not, that in 1875, when the Food and Drugs Act came into force, there was already a large and recognised trade in the patent still grain product as whiskey?—Yes, that was the evidence given.

1060. Did you also contend that the patent still spirit contained the same kind of bye-products as the pot still?—The evidence was that the kinds were identical, but that the only thing that they differed in was in their proportions, and that in some cases furfural was eliminated from the product of the patent still, in other cases it was present, but that substantially all the products were identical though their proportions were considerably less.

1061. It was a difference of degree and not of kind?—It was a difference of degree and not of kind. That was the evidence led on behalf of the defence.

1062. Then to come to the question of standard, which is quite separate and distinct from that of definition, the standard was 380 parts per 100,000 of absolute alcohol?—That was the suggested standard.

1063. Are there any pot still whiskies which do not reach this standard?—Yes. Evidence was given to that effect. There was evidence given that as regards Campbeltowns the total impurities per 100,000 of absolute alcohol varied from a minimum of 201 to a maximum of 510, giving an average of impurities of 335; that the Islays varied from a minimum of 260 to a maximum of 337, giving an average of 294; that the Highlands varied from a minimum of 223 to a maximum of 431, with an average of 292; that the Lowlands varied from a minimum of 165 to a maximum of 350, giving an average of 255; and that the Grains varied from a minimum of 63 to a maximum of 191, giving an average of 120.

1064. Could you give the reference to that?—That was given in the evidence called before the Police Court, and it was a printed document which was handed in. I have no doubt you will be able to be supplied with that. It was part of the evidence given by Sir James Dewar.

1065. Then there are samples of Campbeltowns, Islays, Highlands, and Lowlands which would not have passed the standard?—Yes, that was one of the contentions.

1066. I presume the numbers are obtained by the same process of analysis as they adopted?—That I do not know. These are comparative ones. I doubt whether they are to the same standard. I think there was a standard by the Allen-Marquardt, and there was another test. These figures I have given you are all comparisons on the same table, but whether they are

the same by the colorimetric method, by which I think Dr. Teed analysed it, I cannot be certain.

1067. Can you give me the reference to that?—I will see that you are supplied with it.

1068. In contrasting the work of the pot and patent still there is one point to which you did not refer, but which has been made a good deal of by the pot distillers, as far as I understand. Do not the pot distillers make a great point of the fact that whereas the bye-products are to a great extent separated and actually removed from the patent still, these bye-products, in the case of the pot still, are returned into the low wines, and that no removal of products takes place?—I am obliged to you for calling my attention to that, because the evidence, as you have said, that was given by Dr. Teed was that you returned to the low wines, in the case of the pot still, the feints and the foreshotts, that they were then re-distilled, and eventually occurred in the whiskey. As was pointed out in the evidence on behalf of the defence nothing of the kind took place. On every fresh distillation you again separated feints and foreshotts, and you only collected as whiskey the intermediate product in each case, and, further—I do not know whether it is shown on this model, but in the actual working of a patent still it is so—the feints are returned in precisely the same way to the top of the analyser; the feints are actually pumped back to the top of the analyser; and are again subjected to steam as it passes up to the analyser as in the case of the pot still.

1069. That does not go on continuously, does it? There is a removal of products in the lower vessel?—Undoubtedly there is a trap.

1070. There is no such removal in the case of a pot still?—No. In the evidence that was given it was endeavoured to be suggested that fusel oil was an article that became known after the advent of the patent still. Sir James Dewar pointed out that fusel oil had been explained and analysed and described in 1825, long before the advent of the patent still at all, and he pointed out that there was no more truth in the suggestion that as such the bye-products—the feints and the foreshotts—in the pot still passed into whiskey than there was in saying that they came in in the patent still.

1071. There surely must be some means of removal in the pot still distillation, otherwise we should have a concentration going on, and the distillation would come to an end?—What was pointed out was that the larger portion of the higher alcohols go away in the spent wash and in the spent lees. They go down the drain. That was the evidence given. Instead of collecting them, as by the more perfect apparatus you can, the pot still distillers, I believe, sent them down the drain in the spent lees and the spent wash.

1072. So you contend there is no great importance in that difference?—That was the contention and the evidence which was led on behalf of the defence.

1073. (*Dr. Adeney.*) I am not certain whether I quite understand the evidence you have given as to the relative proportions of the secondary products. Is the total amount of secondary products in proportion to the ethers and alcohols?—Yes. The actual standard taken was the number of parts per 100,000 of absolute alcohol.

1074. As to the total quantity of secondary products?—As to the total quantity of secondary products per 100,000 of absolute alcohol in the whiskey.

1075. Could you tell us whether the proportions of the different families of compounds comprising the secondary products are similar in the case of the patent still product and the pot still product?—The evidence given was that the families resided in both spirits.

1076. In similar proportions?—I am not quite certain. I do not like to tax my memory as to whether or not that was gone into. I know there were questions, but I think I can put it in this way: there was evidence that *inter se* amongst pot stills the proportion of each family varied very largely, and that there was a similar variation that took place with regard to the patent still, but that though the families might be smaller the families were all represented in the patent still.

1077. Coming to the cost of materials, you told us there was practically nothing, so far as the cost was concerned, in the use of maize?—No.

1078. Do you refer simply to the weight of maize used in a mash?—No; the evidence was directed rather to the total cost of the materials used for the preparation of the mash, and I think it was in evidence that it varied in one case, I think the variation was a penny or something of that kind. But substantially the effect of the evidence on my mind was that though at times one grain might be cheaper than another, yet, taking it all in all, substantially the cost might be taken to be the same.

1079. What I wanted to get at was this, in the calculation of cost did they take into account any difference of yield of spirit from the maize?—I am not certain that there was any evidence with regard to that point.

1080. The cost was returned at per proof gallon of product?—I do not remember whether there was evidence. I would rather you asked some technical witness with regard to that point. My memory is not accurate with regard to that.

1081. You told us that patent still spirit is put on to the market in an unblended condition?—The evidence was, in very large quantities.

1082. Can you tell us whether the product from the use of maize and distillation of the patent still is ever put on the market?—That is the product that is put on the market. The product of the distillation of malted barley, maize, with or without rye—that and that alone is the product that is put on the market and has for forty years been sold as whiskey.

1083. (*Mr. J. Y. Buchanan.*) You have told us that in Scotland they take the patent still whiskey and sell it largely unmixed with pot still, and that the taste apparently is growing there for patent still whiskey?—Yes.

1084. Do they take the spirit from the Coffey stills where there is a minimum of bye-products for that purpose?—If I may put it in another way, they take it where there is a maximum of ethyl-alcohol.

1085. In proportion to the other bodies?—In proportion to the other bodies. You take it at that point where in the process of condensation there is the major proportion of ethyl-alcohol. In addition to that there was evidence to the effect that anything that condenses above can follow down to the spirit plate, that in the upper part where the feints go off I think there is a means by which from the upper plates of the rectifier the spirit can fall down so that anything that is condensed above all comes down to the spirit plate.

1086. Am I right in concluding that amongst the Scotch distillers the view held is that the public taste is tending more and more towards the pure alcohol?—To purer alcohol undoubtedly, that is to say, the evidence was that the demand was for a less highly flavoured product.

1087. And that it may be presumed possibly that the taste would go in the direction of having pure ethyl-alcohol?—There was no evidence given to that effect.

1088. (*Dr. Bradford.*) You are not prepared to give any evidence on the health question, I understand?—No, except in so far as there was evidence given.

1089. Is there anything you wish to state on that subject?—The evidence given on that point was this: one doctor was called on behalf of the prosecution who said that in his view pot still whiskey was better than patent still. On the other side Dr. Andrew Luff, whose evidence you will find on page 300, and who was the Examiner in Public Health, and one of the scientific experts of the Home Office, said he preferred the patent still largely because of its smaller proportion of furfural, which he objected to owing to its strong toxic effect.

1090. You are not prepared to give us any evidence with regard to the toxic action of the bye-products or of the alcohol?—No, except that there was this evidence: Dr. Tatlock took three gallons of patent still spirit and three gallons of pot still spirit, and he extracted from those the whole of the bye-products from each of them, and on alternate weeks he dosed himself with the neat bye-products extracted, and in neither case did he find that he suffered any ill-effects at all. Dr. Tatlock was told to investigate this ques-

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tion on behalf of the Corporation of Glasgow some years ago, and his investigation led him to believe that all the ills which were attributed to patent still spirit depended not upon quality but upon quantity, and that the gentlemen who complained of the patent still spirit had imbibed too freely, and that it was nothing to do with the patent spirit, but was due to their over-large doses of medicine. Sir James Dewar gave evidence that for thirty years he had used this patent still spirit in his house in health and sickness, and that his friends for those thirty years had had it, and that neither he nor they had ever suffered from the slightest ill-effects from what they had taken.

1091. Have you any evidence to give with reference to the influence of age on the asserted ill-effects of patent still spirit?—A great many of the witnesses who were called considered that patent still spirit was much better when it matured with age in the same way as pot still. A great many of the vendors who were called said that they would sell patent still spirit, only old, the same as they would sell pot still spirit only old.

1092. Which did you say matured earlier?—The evidence, I think, tended to show that the patent still matured earlier.

1093. You have given evidence pointing to the conclusion that patent still spirit is capable of maturing?—Yes, there was evidence given that it matured, and that the nature of the maturing process was the same.

1094. It has been asserted that it could not be matured?—Yes, but there was a large body of evidence that the maturing of patent still spirit was of the same character as the pot still spirit.

1095. (*Mr. Guillemard.*) I should like to ask you a question about your definition of whiskey. You said it was a spirit produced by distillation from a mash of cereal grains saccharised by the diastase of malt. By "cereals" do you mean necessarily cereals grown or growable in this country—England, Scotland, or Ireland?—I think not. The evidence was that imported barley was just as much used as home barley. There was some evidence that maize could be, and had been, grown in the south of Ireland, but I do not think that on behalf of my clients there was any suggestion that the country of origin had anything to do with the nature of the grain.

1096. As distinguished from the place of manufacture?—As distinguished from the place of manufacture.

1097. It would not take away the character of Scotch whiskey that the barley had been brought from another country into Scotland and distilled there?—No. The two important features that were accentuated by the evidence as regards the country were: one, the water, which everybody agreed—the pot still manufacturers and the patent still manufacturers agreed—was a question of the greatest importance, and, secondly, the surroundings.

1098. That is all place of manufacture?—Yes. There was evidence—I forget whether it was given before the Quarter Sessions or in the Police Court—that where there was a desire on the part of two patent still distillers, one on one side of the water-shed and the other on the other side of the water-shed, to reproduce the peculiar characteristics of the whiskey that was obtained from one patent still and try if they could make their mashes the same, they were never able to obtain the same special flavour as they were not using the same water and the surroundings of the district were different.

1099. Then with regard to the point touched upon by the Chairman, what exactly do you include in cereals? He asked about rice, and I think you were doubtful?—I have no personal knowledge, and there was no evidence given that rice had ever been used.

1100. Rice you are a little doubtful about. Then with regard to potatoes and molasses. Would you be quite clear about that?—Absolutely clear that whiskey cannot be made from potatoes or molasses.

1101. Of course, there is a spirit that is extracted solely from potatoes or molasses, and it might be used for blending with whiskey by some people?—Yes, I have heard some statement to that effect, but no evidence was ever given in either of the Courts below with regard to that.

1102. I am not saying that that was done by your clients?—But there was no evidence that anybody had ever done it.

1103. That it was even blended with whiskey?—No. I have carefully looked through the evidence and I can find no evidence. There have been statements made galore, but I can find no evidence that whiskey has even been made by that blending—not in the proceedings that I have been concerned in. Other proceedings I, of course, know nothing about, but as far as the proceedings before the learned Magistrate in this prosecution are concerned no evidence that I can find was ever brought forward that whiskey was ever made from that. There were plenty of statements but no evidence.

1104. So far as your clients were concerned they would hold, would they not, that even the addition of a small proportion of spirit from other than the cereals, say, from rice, would exclude the product from the definition of whiskey?—As I understand their proposition they say that nothing should enter into whiskey except the spirit obtained from the distillation of cereals.

1105. In a pot or patent still?—In a pot or patent still.

1106. Even in a small proportion?—There is evidence with regard to that, but that was the position, as I have indicated.

1107. What exactly does the authority for your definition rest on? Is it merely a matter of history?—A matter of history entirely and practice, that is to say, that what has been known as Scotch whiskey and Irish whiskey has been so made.

1108. There are no allegations made on behalf of your clients that the addition of such a spirit made from materials other than cereals, if it were used in blending, would be injurious to health?—No, none at all.

1109. You do not wish to allege it?—No. I am here only to tell you what took place in the Police Court and at Quarter Sessions. I have no personal knowledge of these matters except in a general way.

1110. Of course, you really only speak for your clients, and with regard to the evidence given in the cases you have been concerned in?—Exactly.

1111. Do you happen to know whether there is any important branch of the whiskey trade which would quarrel with that definition of yours on the ground that it excluded materials other than cereals?—I know of none.

1112. That means that, as far as you are concerned, they have not been vocal?—They have not been brought to my intelligence.

1113. (*Chairman.*) Not at your consultations?—No, I know of none.

1114. (*Mr. Guillemard.*) There would not be a section of the whiskey trade that would come to us here and say, "Well, we cannot take Mr. Walter as representing us at all, we want to include in the term 'whiskey' a product that has a proportionate part of the spirit not made from cereals"?—I was only instructed on behalf of the Scotch and Irish patent still distilleries, and the views I have told you are the views that we enunciated in both Courts, and which we have no desire to recede from.

1115. You do not know of any one in the trade who would say what I have suggested to you?—I know of no one.

The witness withdrew.

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1116. (*Chairman.*) You have been in the room while Mr. Walter has been giving his evidence?—Yes.

1117. You have followed what Mr. Walter has said?—Yes.

1118. Are there any specific matters of fact which you in any way differ from in the statement of Mr. Walter?—There are one or two minor points, and perhaps I may refer to them while Mr. Walter is here. The last mistake I think my friend made was this, that he said that the whole of the feints, as he called them, in the patent still were sent back into the patent still. I think you heard from Mr. Tedder, and it certainly is the fact as I am told, that the fusel oil is skimmed off and sold as a bye-product. If you remember, Mr. Tedder said it fetched a very much higher price than the so-called whiskey. I think he said it fetched 5s. a gallon. Mr. Walter, I think, made a mistake in saying that all went back into the analyser column.

1119. (*Mr. Walter.*) No, I did not say it all went back.—(*The Witness.*) In the pot still the feints and the foreshotts and the tailings all go back. There is nothing taken away, and there is one distinction between the two stills, that in the one case the fusel oil is skimmed off and sold as a separate product and in the other case everything is returned to the still. Whether it be right or not I cannot say, but Dr. Teed said in his evidence he had analysed the spent wash and the spent lees and could find no trace of the higher alcohols in them.

1120. (*Mr. Guillemard.*) Which spent wash are you referring to?—In the pot still. My friend Mr. Walter said these things were ejected in the spent wash and spent lees. I think Dr. Teed said he analysed the spent wash and the spent lees and could find no trace of these things in them, and therefore he thought, rightly or wrongly, they did not go out into the drain in the spent wash and the spent lees. Then my friend made a mistake when he said that methyl-alcohol was one of the higher alcohols that came over. I do not think that methyl-alcohol does. It is not in the list of the higher alcohols that one finds in the text books.

(*Dr. Adeney.*) There is no methyl-alcohol.

1121. (*Dr. Horace T. Brown.*) Besides, if so, it is not one of the higher alcohols?—I looked it up while Mr. Walter was giving evidence, and I did not find it in the list. Then there is another point on which I think Mr. Walter's memory was a little at fault. I think I was right yesterday when I said that before the learned Police Magistrate there was a very strong objection on the part of his clients to stating whether it was patent still spirit or not on the label, but when we got to Quarter Sessions that objection had to be modified, and, as Mr. Walter said, they were willing to state that this was a blend of patent still and pot still, but they did very strongly object to giving the proportions.

1122. (*Chairman.*) And that is so now, I suppose?—I imagine so from what my friend says. Then as regards Irish pot still distilleries, Mr. Walter said that sometimes a third still was used. I think I am right in saying there are always three stills in Irish distilleries, but that the whole of the product of the first still does not go into the second one; it goes from the first to the third. The strong low wines go into the third still and the weak low wines go into the second still before they are passed into the third; but practically the Irish principle is one of three successive pot stills. I do not think there is anything else that I can suggest. One feels a little tempted to argue with some of Mr. Walter's propositions.

1123. (*Chairman.*) You will restrain that. Now, Mr. Walter, do you care for any reply?—(*Mr. Walter.*) No, my Lord. If I mentioned methyl it was a mistake. I quite agree methyl is not a higher alcohol. I did not know I had included methyl. I do not think there is anything else that I can add.

(*Mr. Bramall.*) Mr. Walter read two answers from the evidence as to the cost of coal and then as to the cost of labour, but if you look at the next answer, the witness (it was his own witness) summed it up by saying the cost of the pot still is enormously greater.

1124. (*Chairman.*) Is this the question you refer to—No. 3090. "The total cost, materials, labour, coal, establishment charges, and the various other items going to make up the total cost per gallon, is it dearer or cheaper to make a proof gallon of the pot still or a proof gallon of the patent still?—Enormously more in the case of the pot owing to the small make and the enormous charges in proportion"?—(*Mr. Bramall.*) Yes, that is so. That is how my friend's own witness sums it up.

(*Chairman.*) Then the Chairman says, "Enormously more to make a gallon of pot than a gallon of patent?—Than a gallon of patent."

The witness withdrew.

Adjourned for a short time.

Dr. William Murrell, called.

Dr. W. Murrell.

1125. (*Dr. G. S. Buchanan.*) You are in practice as a physician in London, are you not?—I am.

1126. You are a Doctor of Medicine and a Fellow of the Royal College of Physicians of London?—Yes.

1127. And physician to the Westminster Hospital?—Yes.

1128. You are Lecturer there on Medicine and on Clinical Medicine?—Yes.

1129. You are Examiner at the University of Aberdeen, and were for many years Examiner elsewhere?—Yes.

1130. You have written several books and articles on the action of drugs, including alcohol?—That is so.

1131. The use of whiskey in medical practice in this country as a alcoholic stimulant has considerably increased during the last 20 years, has it not?—Yes, that is so, both in hospitals and in private practice.

1132. Are you speaking of the increase of whiskey prescribed as a beverage by medical orders—that is to say, for dietetic use—or are you speaking of the use of whiskey for the specific treatment of diseases—acute diseases?—Of both—both as a dietetic agent and as a remedial agent in the treatment of disease.

1133. The principal increase, I take it, is for dietetic purposes?—I think that is so.

1134. So far as it has been the medical practice to recommend whiskey in preference to other stimulants it has been for general dietetic use?—Yes.

1135. You refer in your *précis* to its use in specific disorders, such as influenza, typhoid or enteric fever, and in cases of acute pneumonia. Could you say something about its use there?—It is not used as a medical agent in this condition, but in the course of these fevers there is often the difficulty of collapse—that is to say, there is failure of the heart's action and of the pulse, and in these cases it is most desirable to give a quickly diffusible stimulant.

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1136. Can you say anything about its beneficial effects in so far as they relate to the alcohol on the one side or to the bye-products on the other?—I think the bye-products are extremely useful in these things, and that alcohol itself is of comparatively little value.

1137. You are speaking now of acute conditions, such as the specific fevers that you mentioned?—Yes, the acute specific diseases, including pneumonia.

1138. Will the rectified spirit of the Pharmacopœia have a useful effect?—The rectified spirit of the Pharmacopœia would be useless in these cases. I have made some experiments on this point recently during the last two years—and by experiments I mean clinical observations on patients suffering from these various diseases—and I have found that rectified spirit has comparatively little action, and that after the failure of the rectified spirit, whiskey—and by that I mean pot still whiskey—has proved beneficial.

1139. You give an instance of the custom of prescribing whiskey to be taken at bed-time in cases of insomnia for the purpose of inducing sleep, practically to the exclusion of brandy and other forms of spirit. What would you say there with regard to the difference between using whiskey on the one hand and rectified spirit on the other?—The whiskey would be useful. The rectified spirit would have comparatively little value, and I would add to that that I consider that the pot still whiskey is much more useful than the patent still whiskey for that purpose.

1140. Then you speak of whiskey being constantly recommended by the medical profession for patients, especially those advanced in years who suffer from dyspeptic, gouty, and debilitated conditions generally, due to impaired digestion, enfeebled heart weakness, and slowness of the circulation. Would you tell the Commission what you consider about whiskey in these cases?—Whiskey is very useful in these cases, and it is then prescribed for gouty people for whom wines, and especially strong wines, would be unsuitable.

1141. They would be unsuitable for what reason?—I believe because the patient may be gouty, and it might bring on an acute attack of gout, at all events it would intensify the condition we know as goutiness.

1142. Do you prefer any one kind of whiskey for that purpose?—The pot still whiskey.

1143. Is that on account of its being better appreciated from the point of view of taste and flavour, and having what I may call better dietetic value?—Not only that, but it is more easily absorbed, and you get a better and a greater dilatation of the blood vessels.

1144. Do you wish to say anything with regard to age in relation to the character of pot still whiskey?—I say that pot still whiskey improves very much by keeping, and the older it is, within certain limits, the more valuable it is from the medicinal point of view.

1145. What do you wish to tell us with regard to raw pot still whiskey?—I should say that it is quite unsuited for medicinal use, and I should think very few people would care to take it even as a beverage.

1146. On the other hand, with regard to the matured pot still whiskey?—The matured pot still whiskey would be very valuable indeed in these cases.

1147. Both for dietetic use and specific use?—Yes, both.

1148. Then you have some objection, have you not, to the practice of mixing new pot still whiskey with silent spirit and selling it as whiskey?—Yes, the patent still whiskey would do no good, and it would simply dilute the pot still whiskey, so that it would be less efficacious.

1149. Your meaning there is that, if the new pot still whiskey contains deleterious products, although you dilute it by adding the silent spirit, some of the deleterious products would still be present?—They would be present, and the addition of patent still whiskey would not get rid of those deleterious products.

1150. But they would be present in less proportion?—Yes, quite so.

1151. Is your contention that the use of silent spirit enables new pot still whiskey to be drunk which would otherwise be out of the question?—I will not go quite so far as to say that.

1152. You have a large experience, have you not, in a number of cases in which you have known whiskey to be administered which has not produced the result on the patient which you expected?—Yes, that is so. I have a consulting practice to a considerable extent in the suburbs of London. I often see patients who require a stimulant, and I find that they have taken whiskey, or a so-called whiskey, which has done them no good, and on inquiry into the nature of the whiskey taken, I find that it is a patent still whiskey. Then the suggestion is made that a pot still whiskey should be substituted for this, and there has been an immediate improvement in the condition of the patient.

1153. By a patent still whiskey in that connection, do you mean a blended whiskey?—I should say a blended whiskey, but with a great deal of the silent spirit in it.

1154. By what means have you ascertained in cases of this kind the nature of the whiskey that was contained in the bottles that were used?—The composition of certain brands is perfectly well known. A statement as to their composition was given at the hearing of the whiskey case at the Police Court. I know partly from that.

1155. Can you give us any concrete instance where you had whiskey which you were dissatisfied with because it did not produce the effect you desired on the patient?—I think we may take it that most of the whiskey sold at the smaller public-houses in the neighbourhood of London—and many of these patients get their whiskey from there—is a patent still whiskey, and not a pot still whiskey. It is comparatively rare, I should say, to get a cheap whiskey which is a good pot still whiskey.

1156. Then was it only an assumption in that case in the case you spoke of, where you were dissatisfied with the effect of the whiskey. It was an assumption that it was patent still whiskey?—To some extent, but that has been confirmed by a very fair amount of experience, not only by myself, but by other people whose attention has been called to the fact.

1157. Then in substituting pot still whiskey, you have no hesitation in saying what pot still whiskey should be purchased?—Yes, the pot still whiskies are fairly well known.

1158. I think you gave evidence, did you not, in support of the prosecution in the Islington case, that has been referred to?—Yes, I appeared in the case both at the Police Court and on the Appeal.

1159. You desire, I think, to give a personal opinion in favour of the definitions of Scotch and Irish whiskey, which have been put forward to us already by Mr. Bramall?—Yes, I confirm that entirely.

1160. Do you wish to expand that in any way?—No, I think not.

1161. Then with regard to the bye-products of whiskey, if they were separated from the whiskey and taken neat, could you say anything about their toxic effect?—If they were taken neat, they would probably exert some toxic action, but in the small proportion in which they are found in the pot still whiskies, so far from exerting any toxic action, they exert a beneficial action.

1162. You mean in matured whiskey?—Yes, in matured whiskey.

1163. Have you anything to say with regard to the spirits made from damaged maize?—Yes. There is a disease known as pellagra, which is met with in certain parts of the Continent, and this is said to be the product produced by the use of bread made with damaged Indian corn. As we know that damaged Indian corn is used, or may be used, in the production of silent spirit. I suggest that possibly pellagra might arise from this cause, although I have no evidence of any cases having so arisen. It is a mere suggestion which I do not wish to push.

1164. Is pellagra a disease which is associated with any micro-organism acting on the maize?—I do not know that it is. I do not think it has been well worked out, but the symptoms are perfectly defined.

1165. Having been produced from damaged maize, would any toxine which would be capable of producing pellagra come over in the process of distillation?—I am afraid that is a question I cannot answer.

1166. Dr. Pavy made a report to the Parliamentary Committee of 1891 in which he referred to patent still whiskey as having nothing of the character of whiskey about it. You wish to confirm that, do you not?—Yes, I agree entirely with the quotation from the Blue Book.

1167. There is something else in your *précis* on page 5 after that quotation, is there not? Do you wish to go into that?—Yes, I think I might say a few words on that. I think it is the bye-products in the pot still whiskey that do much of the good as a stimulant. I think that they dilate the blood vessels and stimulate the heart's action. Now these bye-products, whatever they may be, are absent in silent whiskey—in patent still whiskey—and in that respect I contend that the patent still whiskey is inferior as a medicinal agent to pot still whiskey.

1168. You are speaking now of the medicinal effect as apart from mere dietetic value?—Yes, chiefly from the medicinal point of view.

1169. There is one other point I notice that you wish to bring before us with regard to the amount of alcohol that a man may take as the result of drinking silent spirit on the one hand and pot still on the other?—I should say that if a man requiring a stimulant took a glass of pot still whiskey he would be satisfied, he would go away rejoicing; but if he took a glass of silent spirit—patent still whiskey—he would not find that he got very much better from it; he would stand round the bar and would take another, and then another, and then another, and it would do him harm.

1170. You wish to draw our attention to a definition of whiskey, I think?—Yes. That is the definition of whiskey given by Chittenden, I think. This is given in the American Journal of the Medical Sciences, 1896, Volume I. It is from the second annual report of the New York State Board of Health. Chittenden defines whiskey as "a diluted alcohol with a peculiar flavour or aroma due to the raw material employed in its manufacture and developed during the fermentation, distillation, and ageing of the liquor." I do not know that that is a very good definition, but I thought possibly it was a definition which might be called to the attention of the Commission.

1171. You are familiar with the literature on this subject, and can refer the Commission to the books and various authorities. Have you any list of the kind of references that you wish to hand in?—Yes. I might perhaps be allowed to read an extract from a book in the first place. Perhaps I might be allowed to put in Wood's Therapeutics, in which you will see that whiskey is referred to as a cardiac stimulant. It has been stated sometimes that whiskey is not a cardiac stimulant, but simply a depressant. There, in that book, which is a recognised authority, whiskey is put under the head of "cardiac stimulants," and not under the head of "cardiac depressants," which occupy another and subsequent group.

1172. I do not wish to take up your time by asking you to read a large series of extracts, but it may be convenient if you could give the Commission a list of references and extracts from these volumes?—Yes. I have here a list, and I have a number of extracts from different authorities, but I regret to say that I have not a copy of them with me.

1173. You could let us have them later?—Yes; certainly.

1174. You have referred in your *précis*, and in the evidence which you have given just now, to "silent spirit" as the equivalent of patent still whiskey, or what is called patent still whiskey, or patent still spirit, or grain spirit?—Yes.

1175. Do you regard patent still spirit as the equivalent of silent spirit?—Yes; certainly.

1176. We have heard this morning from other sources that this is not recognised by a large number of chemists and distillers, and others, and it is claimed that there are a considerable proportion of bye-products in the patent still or grain spirit. You are aware of that?—No, I was not aware of that. I should have said there were none, or at all events, very few. I should have thought the proportion was small.

1177. Is there anything else on your *précis* that you wish to bring before us?—No, I think there is nothing else.

1178. (*Dr. Bradford.*) You state in your evidence that for 20 years or so whiskey has almost entirely replaced brandy in medical practice in this country as an alcoholic stimulant. Would you kindly tell the Commission on what that statement is based? Are you alluding to hospital practice, or to what are you alluding?—I allude both to hospital practice and to private practice. I should have said that 25 years ago brandy was almost the universal drink—it was the common practice for a man to call for a brandy and soda.

1179. This, as I understood you, was in medical practice?—If you will allow me I will go on to that point, and say also that in medical practice it was the custom to prescribe brandy when one required a diffusible stimulant. Then a difficulty was experienced in getting good brandy—all the old brandy was gone, and it could not be replaced. Then medical men thought they could get better value for their money by prescribing whiskey, and for a very long time whiskey was prescribed almost to the exclusion of brandy; but during the last 18 months, brandy has been more largely used again—possibly because there was an accumulation of better brandy, and possibly because brandy has been more largely advertised and samples have been sent to medical men.

1180. You are a hospital physician, are you not?—Yes.

1181. Would you tell me what, in your opinion, are the usual stimulants used in hospital practice, we will say in cases of severe illness?—At the Westminster Hospital, to which I am one of the physicians, and have charge of the wards, I prescribe as a stimulant whiskey almost exclusively, and brandy very rarely indeed, but I think it is possible that surgeons use brandy as a stimulant rather more than physicians do.

1182. Would you say from your experience as a hospital physician that it was the common practice of English hospital physicians to use whiskey in preference to brandy and champagne as a stimulant in acute disease in the hospital wards?—I think champagne may be put out of court. We do not use champagne except in very rare cases indeed, and only in those exceptional cases where some governor of the hospital is good enough to send us a supply; but comparing whiskey and brandy I should say now, and it has been the case for some years past, that whiskey is prescribed more largely than brandy.

1183. As a stimulant in acute disease in the class of cases one sees in the hospital ward?—Say in pneumonia, typhoid fever, and so on.

1184. That is your experience?—Yes.

1185. You think that whiskey is used in a similar way, but to a greater extent than brandy as a remedial agent in various other acute diseases—influenza, and so on, which you have mentioned?—Yes.

1186. I suppose you would admit that brandy is used to a large extent for these purposes?—Certainly, and probably the custom varies at different hospitals.

1187. It might be that your experience is exceptional as regards the prevalence of the use of whiskey?—I do not think it is.

1188. Turning to the *précis* of your evidence, I see you state that the beneficial effects of the stimulant employed are not due so much to the alcohol as to the bye-products, especially the ethers?—To the ethers which are diffusible sometimes and act rapidly.

1189. Could you give the Commission any sort of indication as to the facts, and the kind of evidence on which that statement is based?—I think the evidence would be this, that if one gives a pot still whiskey which we know to contain these etheral matters we get a more rapid action so far as we can see clinically than if we give merely rectified spirit.

1190. In other words, you think it is a matter for clinical experience and observation?—Yes.

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1191. Is there any other kind of evidence that you can put before us than that?—No, I do not know of any pharmacological evidence on that point.

1192. Now, as to the stimulant. The British Pharmacopœia recognises certain stimulants, does it not, as official?—Yes, there are various forms, or, rather, various percentages, of alcohol.

1193. Would you tell the Commission what forms of alcohol are recognised in the Pharmacopœia as official?—There is an absolute alcohol which may be put out of Court, because we do not use that. Then there is a rectified spirit which is 90 per cent. of alcohol. Then after that we have a 65 or 60 per cent., a 45, a 35 and a 20, or something of that kind, the lower grades being used chiefly in making different tinctures, and so on.

1194. Is brandy recognised by the Pharmacopœia?—Yes, brandy is in the Pharmacopœia.

1195. And whiskies?—No, not in the English Pharmacopœia—in the American.

1196. So that the Commission may take it that brandy is recognised, as one may say, as an official remedial agent?—Undoubtedly.

1197. Whiskey is not?—Not in the English Pharmacopœia.

1198. But sherry is?—Yes, sherry is.

1199. That, of course, is not a matter with which we are concerned. You, in your opinion, think that whiskey is of more value than brandy in many cases, and that possibly that is a defect in the Pharmacopœia that may be remedied in the future?—I think that if we could get a good brandy it might even be better than the whiskey; but I doubt if one could get a good supply of real old brandy at a reasonable price.

1200. You state that silent spirit in this connection is also useless. Are there not some preparations in the Pharmacopœia which contain silent spirit which may be, or are sometimes prescribed by doctors as diffusible spirits?—What preparation do you refer to?

1201. I was thinking of sal volatile, for example?—Yes, but then you have other constituents in that, and the stimulating action is not due to the spirit alone.

1202. Your point is that the spirit *qua* spirit is of little value?—Quite so in that preparation.

1203. To go back—in a potable spirit, whiskey, brandy, or whatever it may be, the alcohol *qua* alcohol is of little value?—Quite so.

1204. I may take it that that is your opinion?—Yes, that is so—that the alcohol is of comparatively little value.

1205. I want to be quite clear on the matter. The beneficial effect of the so-called diffusible spirits in the treatment of acute disease is, in your opinion, not to be attributed to the alcohol, but to certain other constituents?—Yes, which we may call bye-products.

1206. I may take it that that is your answer?—Yes.

1207. Then you state that whiskey is largely used by the medical profession in the treatment of insomnia?—Yes.

1208. That you deduce from your own experience and current knowledge on the subject?—Quite so.

1209. The Commission may take it that is a general use of whiskey?—Yes. I think the custom of taking a night-cap is very well known.

1210. I am looking at the thing more from the point of view of the treatment of disease, you understand, than from the conditions of health?—Yes, I see that.

1211. Whiskey you think is largely used in the treatment of insomnia in disease?—Yes, that is so, undoubtedly.

1212. Then I think you have stated either in your evidence to Dr. Buchanan or elsewhere that pot still whiskey is more readily absorbed than the patent still?—Undoubtedly.

1213. Would you kindly tell the Commission on what evidence that is based?—I think the evidence would be that you get a more rapid action of the pulse—it would act more rapidly than if you gave silent spirit only. It must be absorbed more quickly.

1214. I do not dispute that proposition. I only wish to know the evidence on which it is based. It is generally accepted that all forms of alcohol are very rapidly absorbed, is it not?—Yes, undoubtedly.

1215. Even rectified spirit is very rapidly absorbed?—Yes, rapidly.

1216. But you think there is distinct evidence that pot still whiskey is more rapidly absorbed than others?—Yes.

1217. Is that based on your own observations?—Yes, I have noticed that undoubtedly in cases in which I have given different kinds of whiskey at the hospital, I do not mean to say that these observations have been conducted with scientific accuracy; but that is one's general feeling and experience.

1218. A very interesting result is it not, if it is so, that pot still whiskey should be more rapidly absorbed than other forms of whiskies?—Yes. It is the mixture, of course, of alcohol and ether that makes the difference.

1219. Do you think the members of the medical profession as a whole, when they are ordering stimulants in the form of whiskey, make a point of specifying whether it should be pot still or patent still?—No. I should say that a few years ago doctors did not concern themselves very much with the quality of the whiskey ordered, but more recently, and especially since this controversy, they have paid more attention to the subject, and they are keenly alive now to the difference.

1220. Are there any whiskies on the market that can be readily procured which are entirely patent still?—Yes; I believe there is one that is very well known, which is purely a patent product, and is advertised as that as if it was something extra good.

1221. We will not specify any whiskies, but you think there is distinct evidence that pure patent still whiskies do not produce the beneficial effects that you have observed in the others?—Quite so.

1222. And you are quite clear, in your opinion, from your own experience, that you have seen instances of disease where pot still whiskey has produced beneficial results that have not been obtained with patent still whiskey?—Yes, undoubtedly.

1223. You are quite clear about that?—Yes.

1224. And you are distinctly of opinion that rectified spirit of the Pharmacopœia has failed in some instances to produce beneficial results in typhoid and pneumonia?—Yes; I tried that more or less experimentally not long ago, and the reports of my House physicians were extremely unsatisfactory, and after a trial of, say, two days, we were glad in the interests of the patient to give up the rectified spirit and revert to the whiskey.

1225. I think perhaps it might interest the Commission if you would tell them this. Alcohol is prescribed to the patients sometimes for other purposes than as a stimulant, is it not?—Yes. It might be prescribed, one may say, almost as a food.

1226. That is exactly the point that I wanted to bring out. Would you be of opinion that, in cases of pneumonia or typhoid, to take the instances that you have mentioned, alcohol in the form of rectified alcohol would be useless as a food?—I am afraid I cannot answer that. I have never looked into it from that point of view.

1227. But I understood that you had been giving rectified alcohol in certain cases of these diseases?—Yes.

1228. It was given entirely as a stimulant?—Yes, entirely as a stimulant, and for a short period only, because it was found to be unsatisfactory.

1229. You would rather not express an opinion as to whether it might be useful as a food in such cases?—I am afraid I am not in a position to do so. I only looked at it from that point of view.

1230. I take it you are of opinion that bye-products of whiskey have no deleterious effect when they are taken in solution in the whiskey?—Not when taken in solution in whiskey in the comparatively small doses or proportions in which they occur there.

1231. You think that in pot still whiskies, for instance, in new fresh pot still whiskies, even there they might not be deleterious?—I should think they would be less safe there. I should think that new pot still whiskey would be deleterious in any case.

1232. What should you attribute this deleterious action to?—I should say to the raw alcohol, and possibly to the bye-products as well.

1233. Might I ask what you mean exactly by the expression: "Raw alcohol"?—Freshly prepared—of no standard; no age; newly prepared.

1234. Do you suggest that the alcohol undergoes changes as the result of age?—Yes.

1235. The alcohol does?—Yes.

1236. I mean alcohol in the chemical sense of the word—I do not mean the spirit but the alcohol. Do you think the ethylic alcohol changes as the result of age?—I think when combined with ethers it does, but not alone.

1237. The maturing of the spirit is not merely a change in the higher alcohols, the ethers and various bye-products? You think there are other changes in the alcohol itself?—Yes.

1238. You attribute somewhat great importance to these bye-products from the point of view of flavour, odour, and so on?—Yes, undoubtedly.

1239. Is there any evidence, for instance, that flavours and odours have, we will say, any beneficial action on the digestive processes?—Yes. We have an example of that in the cases of condiments—mustard and so on.

1240. That is the point I wanted to bring out. With reference to the point that Dr. Buchanan raised with regard to pellagra, that is a disease that is quite unknown in this country?—Yes. It is absolutely unknown in this country.

1241. You have not seen a case?—I have not seen a case.

1242. There are some other maladies of a similar type due to grain poisoning?—Yes. There is ergotism and lathyrism, and so on.

1243. You would suggest to the Commission that even if pellagra be due to the maize it is possible for the disease to be communicated by the products of distillation of maize?—I do not urge that point at all strongly. It was a mere suggestion.

1244. Do you think it is possible?—I am doubtful on the point. It was a mere suggestion.

1245. Do you think it is even a probable suggestion?—Possibly not.

1246. (*Dr. Cushny.*) Do you think the views you have given represent the general opinion of medical men, and particularly of medical men who have made a special study of pharmacology? Do you think the view that you have enunciated is the general view among medical men?—Yes, I should say so—of clinical physicians in London.

1247. Can you mention any specialist in Materia Medica who is of that opinion?—Yes. I will quote from the text-book of Sir William Whitla, of Belfast, whom you know, I think, as a distinguished pharmacologist. He says in the 1902 edition, which is the fourth edition, "The question of the dose and form in which the alcoholic stimulant is to be given is an important one. First as regards the variety of alcohol the writer believes that brandy or whiskey should always be preferred to wine, and the selection of brandy as against whiskey or *vice versâ* should be made after considering which of those agents can be procured in the purest form. As a rule in this country pure whiskey is more easily obtainable than pure brandy, and hence the writer always employs whiskey, and he is satisfied that the product of the patent still should not be employed. The so-called silent spirit and numerous blends into which it enters do not produce the cardiac stimulating effects of a matured malt whiskey prepared by the old pot still process. The ethers produced by the splitting up of the traces of fusel oil left in the latter process possess valuable stimulating properties, and moreover they appear to aid in the entire combustion of the spirit in the blood." That is Sir William Whitla.

1248. Then I notice in your own text-book that whiskey is only mentioned once. It is mentioned in one line, and all I can find about it is this: "Whiskey is 50 to 60 per cent. of alcohol." On the other hand, you have a long chapter on "alcohol," in which, among other things, you say that alcohol has a marked effect on the circulation, it stimulates the heart's action and dilates the superficial blood vessels. I notice you make the same statement here in your *précis*—you make the same statement in regard to whiskey, but not as regards alcohol, is that so?—I was dealing here with the subject of whiskey rather than with the subject of alcohol generally.

1249. But you make one statement with regard to alcohol in your text-book and the same statement with regard to whiskey in your *précis*, but exclude in that case alcohol?—But whiskey is chiefly alcohol, is it not?

1250. Yes. You say in your *précis:* "Whiskey, and by that I mean pot still whiskey, is a stimulant to the heart, blood-vessels and nervous system"?—Yes,

1251. I infer from that that you mean that the patent still whiskey is not a stimulant to the heart and blood-vessels, and so on?—It is a question of degree. I did not mean to say that the patent still whiskey has no stimulating action. I did not intend to convey that.

1252. I thought you said that that is your point of view?—No, I never maintained that for one moment; it is a question of degree. I did not say that the patent still whiskey was inert.

1253. As a stimulant? I understood that was your proposition?—No; it is a stimulant, of course. It is primarily a stimulant, although later on it may be a depressent, but the primary action is that of stimulation.

1254. Continuing that point, you say: "Whiskey acts as a stimulant to the heart and dilates the blood-vessels and is used to ward off heart failure and collapse. Its beneficial effects are due not so much to the alcohol which it contains as to the bye-products especially the ethers." Now in your text-book you say: "Alcohol has a marked effect on the circulation, it stimulates the heart's action and dilates the blood-vessels"?—Yes; but in the whiskey you have the combination of the two agents—you have two agents at work.

1255. You mean the whiskey has an extra action besides its alcoholic action?—Yes, and an extra added action with all the ethers and bye-products.

1256. You say in your *précis:* "Silent spirit in this connection is also useless"?—I did not mean to say that it is absolutely useless. It is comparatively useless—it is of less value.

1257. Then the question between pot still and patent still is a purely comparative one?—Yes, that is right.

1258. Now you say that the pot still is a more powerful stimulant, may I say, than patent still?—Yes.

1259. The difference is due to what?—The difference is due to the bye-products—to the ethers.

1260. Have you ever calculated how much bye-product there is in an ounce of whiskey?—No, but I know it is very small. The exact numbers were put to me once before in cross-examination.

1261. Do you suppose it is more than a grain?—Very likely not. I remember Mr. Walter putting the question to me.

1262. Do you not think that if it was the general view in the medical profession that when this one grain of ethers was present it had this powerful stimulating action, that some attempt would be made to isolate this and use it in larger quantities as a more powerful stimulant?—No, I do not think so; it is not a commercial product. We have our brandy and our whiskey and our champagne, and we do not want to deal with little doses of chemicals. It is not a practical point at all.

1263. Do you not think that some German manufacturers would be glad to isolate a thing like that and put it on the market as a product?—I daresay they would put it up in tabloids, as they could, or as a patent medicine, but I do not think it would be a success.

1264. Do you not think they would, if it were generally known in the medical profession?—Well, they do almost anything.

1265. Then another point I wanted to ask you is this. I think you said that silent spirit in this connection is also useless. I am going back to that paragraph. Do you know if pure alcohol is ever used in therapeutics?—Absolute alcohol?

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1266. No; rectified spirits?—Yes, it is used sometimes as a therapeutical agent, but I should say very rarely.

1267. Is it used under exactly the same conditions as you have suggested for the use of whiskey?—No, it is used for external application, sometimes.

1268. Perhaps not in London, but in other parts of the world, surely it is used alone very commonly?—In Scotland.

1269. I would not like to say in Scotland, but say in Germany. In Germany, they have not the blessing of whiskey. If you were to ask for whiskey, what would they understand you to mean?—I feel inclined to say lager beer, but probably that is not in your mind.

1270. Not in therapeutics?—I am afraid I could not answer that.

1271. Do they not use potato spirit, which is a purer alcohol than that of the patent still?—Yes, I daresay they do, possibly.

1272. Do you suggest the results are inferior to those of whiskey?—Yes, I should think so. I would rather use whiskey than a spirit made out of potatoes.

1273. So would I?—I should think the result of taking a spirit made out of potatoes would be extremely unsatisfactory, and would mean a very bad headache in the morning.

1274. I do not think the results are very much worse if you look into the literature on the subject. Now referring to the next paragraph of your *précis*, do you really suppose that the soporific effect is due to the one grain of ethers in the ounce of whiskey, or is it due to the alcohol?—I think that you get a better effect from taking whiskey at night than you would get from taking potato spirit at night.

1275. Do you think that the soporific effect is due to the alcohol, or to the ethers?—To the combination—I may put it in that way.

1276. Do you suppose that the alcohol has a soporific effect?—Alcohol undoubtedly.

1277. Do you suppose you can differentiate between the soporific effect of half an ounce of alcohol and the one grain of ethers in an ounce of whiskey?—I should say that would depend on the individual. Some people can take half an ounce of whiskey and some people can take far more. Some people will take half a pint.

1278. Do you suppose that people take whiskey as a soporific in preference to alcohol owing to recognising that it is a better soporific, or simply because they like it better, and that it has a better flavour?—It is a matter of experience. A man sends out and gets a bottle of whiskey and has it on the table at night, but he does not send out and get a bottle of silent spirit if he can help it.

1279. Why not, do you suppose?—Probably he has tried the silent spirit and has got a headache in the morning and does not want to try it again.

1280. Is it, or is it not simply a matter of taste and flavour?—No, it is not; it is the result of experience, going on all over the world by a great number of people.

1281. Your statements have come down mainly to a matter of comparison between alcohol and alcohol plus this small amount of impurity. Can those comparisons be very accurately made?—Not with the same precision that you would make experiments in the physiological laboratory—not with the same accuracy that you could with Roy's apparatus, but still they are fairly accurate—as accurate as one can expect in dealing with human beings and not with frogs. If my patients were frogs I should get better results—more accurate results.

1282. Do you know of any of these accurate experiments having been made?—I know of no recent experiments of that kind. Experiments with Roy's apparatus undoubtedly were made some years ago in conjunction with experiments on the relative effects of chloroform and ether as a stimulant to the heart, but I do not know that any experiments have been made with Roy's apparatus on the comparative effects of pot still whiskey and patent still whiskey.

1283. Do you know if the ethers of pot still whiskey have ever been investigated experimentally?—No, I do not know—it is quite possible that such experiments have been made, but I know of no record of them.

1284. Do you not think that if most pharmacologists believed with you that the ethers were an important ingredient in the stimulating effect, they would be very glad to take up that subject?—I cannot say. The number of pharmacologists in this country is somewhat limited and their time seems to be pretty well occupied.

1285. Still, I do not know of any subject of so much importance as the one you have suggested?—I venture to suggest it is a good subject for investigation.

1286. If I may say it, if I were of your opinion on the subject, I should take it up at once. Then there is another point: Do you think that those ethers are actually poisonous alone in ordinary doses, or do you think that it is necessary to have alcohol added to those ethers in order to have very beneficial effects?—There is a case recorded by Swann, of Bristol, where a man took fusel oil during the greater part of his life because it was given to him and he got it for nothing, and finally he died, and when he died they found nothing the matter with him. That is a case in point.

1287. You seem to consider that the mixture was necessary—that you could not get effects from one; at least, the stimulating effects of the ethers you could not get without the addition of the alcohol?—Combination is undoubtedly useful. We may refer possibly to the case of sal volatile that Dr. Bradford quoted just now. The stimulating action does not depend on any one ingredient but on the combination—the way in which it is presented.

1288. Including the alcohol?—Yes, including the alcohol, and in the same way of many aromatic mixtures.

1289. Gentian and soda, and so on. In experiments on animals do you know if pure alcohol has been investigated at all, and what the results are as regards the stimulating properties on the heart, for example?—Yes. It is a stimulant to the heart to begin with. There is no doubt about that.

1290. No one has suggested in animal experiments that they would be improved by using whiskey instead of alcohol, as I understand?—Experiments on a frog's heart?

1291. Yes?—No. I do not think the whiskey would agree with them.

1292. On animal hearts. You referred to Professor Wood's text-book on therapeutics? Do you remember if Professor Wood mentions whiskey apart from alcohol as a cardiac stimulant, or does he describe them together? Does he mention whiskey as a cardiac stimulant apart from alcohol as a cardiac stimulant?—I am not aware that he does. I do not recall any such passage.

1293. Does he hold that whiskey has any particular different effects from alcohol?—No. I am not aware that he says that.

1294. I am afraid that rather takes away from the value of your statement with regard to Professor Wood's book, does it not?—There is a long discussion on the whole subject in the book. There is a reference to certain experiments by Martin, and after giving a long abstract of them he says practically that he does not think that Martin has proved his point. Then of course there is a discussion about Binz, Barnes, Schmiedeberg, and so on.

1295. This does not touch whiskey, I think?—No, not so much whiskey as alcohol generally.

1296. He regards the action of whiskey that has ethers and alcohol without ethers as practically identical as I understand. At least, he does not state that they are different?—He does not state that they are the same.

1297. He includes whiskey as an ordinary preparation of alcohol, I suppose?—He deals with the whole subject under the head of alcohol. There is not a chapter on whiskey and one on brandy and one on gin and one on liqueurs, but he deals with the whole thing altogether. There is a long chapter on cardiac stimulants and one sub-section on alcohol, which occupies a great number of pages.

1298. With regard to the question of the absorption of alcohol which was brought up in your examination by Dr. Buchanan, I think you said that pot still was more readily absorbed than patent still?—Yes.

1299. Is there any evidence at all—any possible evidence—that you can bring forward on the point?—I think I referred to that but a few minutes ago. I said as far as I knew it depended upon clinical experiments which were not made, and have not been carried out with the absolute accuracy with which we carry out experiments on frogs.

1300. Would you say that it is a positive fact, or that it is a possible explanation? Would you say it is a fact that it is more readily absorbed, or would you say that pot still is perhaps more readily absorbed?—Pot still whiskey is more readily absorbed.

1301. Would you make that definite statement?—Yes; to the best of my belief that is so.

1302. Is it not possible that the change in the heart may perhaps arise from gastric effects and not from absorption at all?—That is another theory. I do not know of any evidence to support that suggestion.

1303. I think you will find a good deal. Now as regards the food value of alcohol. I think there was some doubt in your mind as to whether patent still whiskey was a food?—I am afraid I cannot answer that question. It is not a point to which I have paid any particular attention. I have never thought very much about whiskey as a food. Of course, I know it will replace food to some extent, but I know little or nothing about the comparative value of pot still whiskey, and, say, silent spirit in that particular connection.

1304. You do not know that one is superior to the other?—No, I do not know that. I have not paid particular attention to that.

1305. But is alcohol—the pure ethylic alcohol—a food?—It replaces food undoubtedly.

1306. In the last page of your *précis* there is a passage I do not understand. I do not quite understand the first paragraph as to silent spirit. "Silent spirit creates thirst"?—That is not a physiological observation. It is the generally-expressed opinion of a person who takes whiskey as a beverage. Those observations were not made on patients.

1307. That is a matter as to which you do not give expert evidence as you do with regard to the patients, I take it?—Quite so. It is not expert evidence, but it is the opinion of the man in the street—the opinion of the man you meet at your club and so on. It does not amount to more than that.

1308. I think it would be an advantage to the Commission if you would refer to any further books. It would be a matter of great interest to myself?—I am very sorry. I have prepared a list, and made out all the extracts, but unfortunately I have not got them with me, but I will place them at the disposal of the Commission with pleasure.

1309. (*Dr. Adeney.*) You have described to us experiments or observations that were made on the use of pot still whiskey as distinct from what you call patent still whiskey?—Yes.

1310. The difference in the results you have ascribed to the secondary products in these different spirits?—Yes.

1311. We have been told that the secondary products in some of these patent still spirits are sometimes equal in quantity to the secondary products in the pot still whiskies, so that in making experiments of this kind it is important, is it not, to have an accurate knowledge of the composition of the pot still spirits and the patent still spirits?—Yes, undoubtedly.

1312. Have you any such knowledge of the samples of spirits you employed or of the sources from which they were derived?—No chemical knowledge. The composition of many of these combinations, if I may call them combinations, is given in some of the documents produced at the Police Court, and I had access to those.

1313. I am now talking of your own observations which you say you have made in the clinical ward?—Most of those were made in the course of my own private practice—not in consultation practice.

1314. You have no exact knowledge then of the composition of the samples of the spirit that you have had administered to your patients?—I have had no opportunity of obtaining a chemical analysis of the bottles of whiskey.

1315. So that you really do not know whether the patent still spirits you used contained secondary products at all, or in any considerable quantity?—That may be argued, but as I say the composition of many of these patent still spirits has been published.

1316. Of course in scientific experiments of the kind you must have the composition of the actual things you are dealing with. I want to know what was your knowledge of the composition of the samples you employed?—Whiskey is sold under a particular brand, and I take it that bottles of whiskey sold under the particular name are practically the same. I did not analyse or have analysed the one particular bottle, but the general spirit sold under that name has been submitted to analysis.

1317. Under what brand is silent spirit sold?—Do you mean the name of it?

1318. Yes?—Do you wish me to give the name?

1319. I should like you to tell me for my own information?—I was under the impression that Cambus was.

1320. You call that silent spirit?—So I supposed.

1321. Do you consider that silent spirit and patent still spirit are synonymous terms?—As nearly as possible, I should think.

1322. (*Dr. Horace T. Brown.*) I should like to ask you a few questions. You attribute the value of whiskey in medicine entirely to certain bye-products, I understand?—No.

1323. You attribute the medical value of whiskey to certain bye-products?—No, not entirely. I did not say entirely.

1324. But in comparing a pot still whiskey with a patent still whiskey of equal strength you have there the same amount of alcohol practically to deal with, so that the effect, so far as regards the alcohol, would be the same in both cases?—Yes.

1325. We could then consider the probable effect that would be produced by certain products?—Yes.

1326. We can eliminate the alcohol altogether from our argument for the moment?—Yes.

1327. You attribute the medicinal value mainly to the bye-products, and I think you said to the ethers?—Yes, using it as a generic term and calling them all ethers.

1328. Are you aware of the relative amount of ethers in patent still and pot still whiskey, or spirit, if you like to call it so?—It would be greater in pot still, of course.

1329. We have certain analyses of that kind in large numbers, and I think we may take it that the ethers themselves in Highland whiskey amount to something like 50 parts per 100,000 of absolute alcohol; whereas the ethers of the patent spirit amount to approximately half that amount—that is, 25 parts per 100,000 of absolute alcohol. Would you mind working out for a moment what the difference in those ethers would be in, we will say, two ounces, or take 1,000 grains—would it not be this, that your 1,000 grains of pot still Highland whiskey would contain about half a grain of ethers per 100,000 of absolute alcohol, which would be equivalent to about one quarter of a grain per 1,000 of proof spirit? So that your one glassful of Highland whiskey containing 1,000 grains would contain about half a grain of your ethers. Is not that so?—I am quite prepared to accept your statement; but I am not prepared to work all that out myself.

1330. That is taking the published accounts of the amount of ethers in ordinary Highland spirit, amounting to about 50 parts per 100,000 parts of absolute alcohol. That, I take it, would come down to half a grain in a wineglassful of the pot still spirit reckoned as absolute alcohol, and a quarter of a grain reckoned as proof spirit?—It is half a grain, which is equivalent to half a minim of something in a wineglassful.

1331. No, it is a quarter of a grain if you reduce it to proof strength?—I will take the quarter of a minim in a wineglassful.

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1332. That is a quarter of a grain, we are agreed as to that. What is the amount of ethers in a corresponding amount of patent still spirit? I make out that it is just about half the amount, so that the amount in an equal quantity of 1,000 grains of patent still spirit reduced to proof strength would be about one-eighth of a grain, and the whole difference as regards the amount of ethers between those two spirits, one from pot still and the other from patent still, would be about one-eighth of a grain. I understand it is your opinion that the different physiological effects which you say are produced by these two spirits must be due to this one-eighth of a grain of ethers?—All I can say is, that if you are going into those complicated figures, I am afraid I cannot follow you. I quite accept what you say as being correct.

1333. I think you will find that it is correct. But you must attribute the whole of the difference if you put it on the ethers to about one-eighth of a grain in one glassful of two ounces of spirits?—I am afraid I can only speak as a physician; I am not a mathematician.

1334. Can you give us any opinion about Dr. Chittenden's work? I understand he made a very elaborate investigation on the influence of whiskey, rum and brandy, and so forth?—Dr. Chittenden is an American writer; he is not a Doctor of Medicine. He is a Ph.D., but whether that means a Doctor of Philosophy or a Doctor of Pharmacy, I do not know. He wrote a great number of papers on the subject extending over several numbers of the particular journal in which it appeared. I read those very carefully, and it seemed to me to be written entirely from the chemical point of view, and I do not think they were very satisfactory.

1335. Did he make a number of experiments on the influence of various spirits on individuals?—Yes, there were a number of experiments, if you like to call them so, recorded, but it did not seem to me to have very much value.

1336. Could you tell us the general result of those experiments?—No, I cannot remember now. I read the whole thing very carefully indeed, and it did not impress me much. It did not seem to me to be a great work.

1337. Did he not come to the conclusion that it was a question of the amount of ethyl alcohol, rather than of any specific differences in the bye-products?—It is quite possible, but it did not make very much impression on my mind.

1338. (*Chairman.*) You have known, I suppose, this patent still whiskey sold for a good many years?—Yes.

1339. Under what name has it been sold?—It has been sold under the name of whiskey, I am afraid.

1340. It is now suggested that we should accept the form "patent still spirits" as distinguished from whiskey. When did you first hear the suggestion made that patent still products should not be called whiskey?—I am afraid I cannot put a date to it.

1341. Was it ever raised until the proceedings that were taken before the magistrate, Mr. Fordham?—The matter had been talked about and discussed before that, I am pretty sure.

1342. But it is a serious matter if these millions of gallons have been sold and treated by the trade and public as whiskey that there should be a new baptism, and that they should be called spirits instead of whiskey. I want to know when did you first hear the suggestion that that ought to be the title applied to patent still whiskey?—I am afraid I cannot answer that, but certainly I will put it in this way—it was not many years ago. I could answer for that.

1343. That is quite sufficient. You have spoken of the difference of the effect of the two makes on patients. How do you know which is patent still whiskey and which is pot still whiskey?—I think I have explained that to some extent. The analyses of these different kinds of makes have been published. Many of these were published in connection with the Islington Borough investigation. I say "published"; they were handed round, certainly, to various people. They were submitted to me before I commenced my investigations, and I made a careful study of them.

1344. That is not my point at all. I want to know practically. You gave a prescription that your patient should have a certain quantity of whiskey, and I suppose somebody gets it and then produces the whiskey. How do you know before the patient takes it, so that you may know the result after the patient has taken it, which is pot still and which is patent still whiskey?—I only know from the analysis placed at my disposal and by the label on the bottle.

1345. That is the very point I want to know. Is it ever labelled "pot still" or "patent still"?—No, but it is labelled by a certain name.

1346. And the name on the bottle brings it home to you?—There is some fancy name possibly, and I know that whiskey with that fancy name has been analysed and I have that analysis in my possession.

1347. I want to get a little more closely to the point. I want to know, because it is important to know, what the public would know. Could the public ever determine it? As the law exists, could they ever determine whether it was pot still whiskey or whether it was patent still whiskey?—I do not think the public could know unless it was stated on the bottle, unless there was some distinctive sign.

1348. As far as you know, it is not stated on the bottle?—No, rarely or never in the case of the patent still product.

1349. Then the public could not know?—No, the public do not know.

1350. Then you give us evidence that you would not know?—I would not know unless I had had these analyses submitted to me.

1351. How have you been telling us about the effect on patients of this and that when you did not know which was which?—I beg your pardon. I did know.

1352. But how?—Because the whiskey is labelled by a certain name and all those whiskies have been analysed, and I have had those analyses in my possession.

1353. Surely you, as a physician would not know what whiskey was produced at each of these different distilleries when there are 127 of them in Scotland?—No, but I know which are pot still whiskey and which are patent still whiskey.

1354. Why? By what means, if you did not know what they were doing at the different distilleries?—Simply because these things have been analysed.

1355. Surely you have not had side by side analyses of these two different qualities of whiskey out of the 127 distilleries of Scotland?—I do not say of the 127, but I do say that most of these makes have been analysed and the analyses have been circulated.

1356. May I take it from you then that as a physician in Westminster Hospital you would not know when whiskey was administered to your patients whether it was pot still or patent still?—We take a great deal of care about our whiskey.

1357. Is that so? Would you know?—Yes, I should know. With regard to Westminster Hospital I believe—I am not speaking absolutely accurately—that our whiskey was analysed by Dr. Dupré.

1358. I do not care about the analysis. I want to know what you did. Did you, finding that you held a strong opinion against the patent still whiskey, give instructions that it should not be used by your patients?—No. I have not the catering of the whiskey for the hospital. I may hold an opinion, but my opinion does not necessarily dominate my colleagues in the whole place.

1359. If you prescribed it to a private patient would you carry your view so strongly that you would put in the direction or the order "this must be pot still whiskey"?—I should undoubtedly tell the patient "Take so much whiskey and mind you have such and such whiskey."

1360. What is the patient to do? He may be a poor man or a rich man. How is he to get pot still whiskey?—Supposing I think, or have reason to know, that a certain Gilbey whiskey is a pot still whiskey, I tell him "You go and get Glen so-and-so whiskey, and you will get what you want."

1361. This is rather important. Is it a fact that if you knew that Sir Walter Gilbey had pot still whiskey and patent still whiskey to sell you would send a patient to get the one class of whiskey and not the other?—Undoubtedly. They have a name to them.

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They are described definitely. They have three whiskies—two of them are pot still and one is not.

1362. Is it described as pot still whiskey?—Yes.

1363. I asked you just now if they ever were and you said they were known by the different distilleries?—In the case I am referring to of Gilbey's they are undoubtedly stated and guaranteed.

1364. Then they are described differently?—In the case of Gilbey's undoubtedly.

1365. When was that statement first commenced?—I do not know when Gilbey's did it, but they have a Spey Royal and a Glen Spey, and I believe both of them are guaranteed to be pot still whiskey.

1366. What is the name it would be described by? Would it be that it was "Pot still whiskey" or "Spirits from grain"?—No. "Pot still whiskey" is the name they put.

1367. That is the whole point. It is called "whiskey"?—"Pot still whiskey."

1368. By Gilbey's?—Yes.

1369. Down to the present time?—Yes. Then they have another one which is a blend, and which is said to be a blend.

1370. Probably we shall hear from Sir Walter Gilbey. Was there a difference in price in those two when you directed your patients to get one or the other?—One of them is 4s. 6d. a bottle—that is a pot still—and I think the other one is a little cheaper, but I am not positive. I should not have bought the blend, so that I do not know.

1371. (*Dr. Horace T. Brown.*) Are you quite sure that Messrs. Gilbey label any of their spirits "Pot still"? They tell you they guarantee that it is pot still, but is it on the label?—I am under the impression that it is.

1372. I think not?—I bow to your knowledge, but certainly in the advertisement it is so stated.

1372*a*. Guaranteed pot still?—Yes, in the advertisement in the "Daily Telegraph." As to the label I cannot be absolutely positive.

1372*b*. (*Dr. Bradford.*) With reference to what fell from Dr. Horace Brown, Professor Chittenden is Professor of Physiology, is he not, at one of the leading American Universities?—I was under the impression that he was Professor of Pharmacy. Am I wrong?

1372*c*. He is a recognised authority on dietetic questions, is he not?—Yes; he has done a lot of good work.

1372*d*. He is a man of great reputation as regards the physiology of digestion and general dietetic questions, is he not?—Yes; he has done excellent work.

1372*e*. His opinion is one to attach a considerable amount of weight to?—Yes.

The witness withdrew.

Adjourned to Monday, 16th March, at 12 o'clock.

FOURTH DAY,

Monday, 16th March, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. ANDREW JAMESON, called.

Mr. A. Jameson.
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1373. (*Chairman.*) I believe you are one of the managing directors and one of the proprietors of the firm of John Jameson & Son?—I am.

1374. It is a limited company now, I think?—Yes, a limited company.

1375. Your distillery is at Bow Street, Dublin?—In Bow Street, Dublin.

1376. I believe that distillery has been carried on by members of your family since the year 1805?—We have owned the whole distillery since then—the family have.

1377. I will not give you higher place than to say it is as well known a distillery as any distillery in Ireland?—I believe it is.

1378. Will you give me first your definition of what is meant by the term "Irish whiskey"?—It is a spirit distilled in a pot still, which should go through at least two or three distillations, and made from a mash that comes from cereals grown in Ireland—commercially grown in Ireland—in large enough quantities to be quoted as one of the regular productions of the country.

1379. I think you say that your distillation must take place in Ireland?—The distillation must take place in Ireland. I speak further because I believe that the water is an essential element in it, and that alone would make it a necessary thing to carry it on there.

1380. Do you mean by grown in Ireland that it must be absolutely grown, or that it is grain that can grow in Ireland? I mean, suppose you were to import Scotch barley?—Yes, it must be made from grain which can be grown in Ireland.

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1381. That is not quite what you said?—You are quite right.

1382. It is grain that is, as some use the term, "indigenous" to Ireland, or it is grain that can be grown in Ireland, or grown under such circumstances that it may be termed Irish grain?—That is the way I should put it.

1383. Have you any proportion of the materials that may be used?—I should think they vary considerably. The main ingredient in the whole thing is barley, malted and unmalted; but added to that is some wheat and some oats, very little rye, practically inappreciable.

1384. Can you give us any proportion beyond which you must not go in respect of any one of these materials?—I could hardly say that. Well, as far as malt is concerned, if it was pure malt and altogether malt, nothing in it but malt that has been used—I do not think it is often used in Ireland now—but it would be certainly Irish whiskey made from pure malt.

1385. So far, so good. What are the number of materials in addition to the malt you would use in your distillery?—No. 1 is barley.

1386. Unmalted?—Unmalted; and then wheat, and oats and rye; nothing else.

1387. Have you any proportion to give the Commission in respect of those ingredients which you have last mentioned?—Different distillers have different mixtures of those, and I should hardly like to go and give publicly exactly what we use, you know.

1388. I did not want that; that, of course, would be a little unfair to you. Can you speak theoretically, and can you assist the Commission by telling us to what limit we may go with the materials other than malt and other than barley?—Something like 4/5ths of the mash would be barley, malted and unmalted. I am just stating to you what the facts are as far as we are concerned, and I believe something on those lines is the practice with most Irish distillers.

1389. You give 1/5th within the limit of safety for other ingredients?—That would entirely depend on the amount of flavour that a man wanted to get. It would be still Irish whiskey even if he put in more than a fifth.

1390. Do I understand you to speak generally as regards the 4/5ths? Take it for the moment that your general statement prevails, I want to deal with the other fifth. Is there any proportion attributable to the other ingredients when you come to deal with the other fifth?—Do you mean the proportion of the oats, the wheat and the rye?

1391. Whatever other ingredients you have given us. Those are three other ingredients?—The rye is extremely small; the wheat is something like four times the rye, and the oats is rather more than double the wheat, and they are all included in about a fifth of the whole.

1392. That is what you think would be safe?—Well, I would not like you to form any false opinion about it. That is a point which would depend on each distiller, as he chose to get a certain flavour.

1393. I am coming to that. Where is the limit beyond which this compound ceases to be whiskey—I mean in relation to the employment of the ingredients barley and malt? You have given me 4/5ths; supposing it came to 2/3rds, would that be whiskey?—Certainly.

1394. How low would you go?—I would call it whiskey as long as you used the pot still, and Irish whiskey as long as you used the class of ingredients which I have been talking of.

1395. I want to know the proportion we have to deal with. How low can you go in the scale, the proportion of barley and malt, and still retain the name of whiskey?—I would not allow limits.

1396. Might a man make it all of rye if he could, or of corn, or even, going to a lower material, potatoes or turnips, if he liked and call it whiskey?—He could not go to potatoes and turnips.

1397. I give that as an extreme example; but, taking the malt and barley away, might it be whiskey without any malt and barley in it?—He could not make it without malt.

1398. He may make something?—Not with a pot still. He could not produce a mash that he could distil in a pot still.

1399. You say that is physically impossible?—I believe there are members of the Commission who know better than I do, but chemically, I do not think he could. He must convert the starch, and he must have malt to do that.

1400. I daresay you are right, but can you give me any limit which is necessary to produce this action in the pot still in respect of the proportion of barley?—The chemical limit, I should say, would be the amount of malt necessary to convert the starch of the unmalted grain.

1401. But you see he need not use unmalted grain?—Then it would be all malt.

1402. Is that so; because you see unmalted grain does not apply to corn, rye and things of that kind?—Yes, rye and oats and wheat.

1403. Do you apply the term "unmalted" to those?—They are unmalted; you can malt oats; wheat would be very difficult.

1404. I was going to ask you about that. I did not know that you could malt wheat?—It would be very difficult, because it has not got a husk on it, but it could be done. It could be done to a certain extent, so that a certain amount of conversion would take place, by the process of growing as it is done in malt.

1405. Let us go back for a moment. You said you would confine the name "whiskey" to the pot still manufacture?—Yes.

1406. Will you give your reasons to the Commission, please, why you excommunicate the patent still?—Because the patent still excommunicates the flavour; the pot still keeps the natural flavour of the grain used.

1407. The pot still, I understand, subjects the material to the action of fire direct?—Yes.

1408. In the patent still it passes through certain passages backwards and forwards?—The naked steam in the patent still separates the spirits from the materials of the wash—by the naked steam—and carries on the spirit pure and simple. The different places where the spirit is taken off in the patent still I suppose have already been explained to you. I do not know a great deal myself about the patent still, because I have never worked it, and never have seen it at work; as a matter of fact, until not very long ago I had never seen one.

1409. Your opinion is of value, and we want to get it from you, why you say that any product coming from the patent still is not entitled to the name of whiskey?—Because the patent still brings over a pure spirit. In the process of manufacture by the patent still the flavours which we pot still distillers try so much to preserve are taken out of the spirit.

1410. If you will allow me to say so, I can well understand this argument being in favour of the superiority of the pot still, but I want to know why you say that a patent still spirit is not entitled to the use of the word "whiskey" at all: This is a question of superior flavour, as you put it. It is not determining what the product is?—If I may go back a little, originally, of course, whiskey was always made in a pot still; the patent still, as everybody knows, only came into use within, probably, the last 50 years.

1411. 1831?—1831. For years after that it was not used to any extent.

1412. Quite so?—So the name of whiskey undoubtedly belonged to the article which was produced in a pot still; that article produced in a pot still had a certain flavour, and that flavour was called a whiskey flavour. The thing that is produced in a patent still has not got that flavour.

1413. I follow what you say about the question of flavour, but I want something from you of substance as to the identity of the article. Do you know what the comparative materials employed in the patent still as compared to the pot still are? I do not know whether you know that?—In the patent still, as a rule, as far as my knowledge goes, the mash is made up of just enough malt to convert the maize that is used, and it is nearly altogether maize that is used because—if I might give what appears to be the reason?

1414. If you please?—As they lose the flavour, the patent still distillers have not got any reason for using the high-class materials which we pot still distillers need, who are trying for flavour.

1415. What does the flavour come from?—From the materials used in the pot still.

1416. What are the products that produce the flavour as distinguished from the body?—That is a highly chemical matter as to which I would not like to give any opinion to you, but it is practically an infinitesimal quantity of the whole which I believe a chemist calls an impurity.

1417. A bye-product?—Why the chemist calls it that, I do not know, but that exists in the whiskey that comes over in the pot still; and if we altered our materials, or had bad materials, anything with a taste or anything of that sort, we would spoil our whiskey at once; for instance, if we attempted to use maize it would at once alter the whole flavour of our whiskey.

1418. But the flavour is one thing, and the substance produced is another. Is it your view that there is anything deleterious in the product of the patent still?—No, certainly not, only that it is not whiskey.

1419. That depends. Of course, since the patent came into operation, as you say about 50 or 60 years ago, this patent still whiskey has been sold as whiskey in Ireland?—There is a great deal of difference now. That is a statement which it is rather difficult to discuss, because in the trade, amongst wholesale people, when a man sold patent still he had to say what it was, but when it got down to the consumer it was sold as whiskey, undoubtedly.

1420. Why do you say that when the wholesale seller was selling patent still he had to sell the patent still by name; where do you get that from?—I say that a distiller of patent still could not sell that to a wholesale dealer without telling him it was patent still.

1421. Will you tell me why you say that?—Because I believe it to be the usage of the trade.

1422. You say he could not?—I suppose the Commission will probably find it out from other witnesses, I am not in the wholesale trade myself except as a distiller; but I believe that is the practice of the trade.

1423. You are not a patent still manufacturer, and you would not know this very accurately, but that is your general impression?—I have knowledge of it from men in the trade who have told me that is so, and any study of a trade catalogue will show it, or any auction list will show it.

1424. Selling it as patent still, and by the side of it putting pot still—is there any difference which would be known to an ordinary person excepting the flavour?—If you except the flavour it must lose a lot, because there is no difference between port and sherry, except the flavour, probably.

1425. Well, I do not know, there are different flavours of sherries and different flavours of ports. With regard to whiskey, as regards health, as regards effect, and as regards stimulant power, is there any difference except this matter of taste between the two?—That would be a matter of personal opinion. I think there is a very great deal of difference of course.

1426. In what direction is it? Is it in the direction of stimulating power, or effect on health, or its strength that you say the pot is superior?—I would not like really to give any statement as to health, because I know nothing about it.

1427. I wanted to know what was in your mind when you said that superiority existed?—If I asked for a glass of whiskey and I got a glass of patent still spirit, I would be very much displeased, and I would have a flavourless thing which would not in any way give me an idea of a glass of whiskey or anything compared to it.

1428. You think that would apply to an ordinary customer who was not so accustomed to the difference as yourself?—I am sure if he could get pure patent still, it would; but in Ireland, as far as I know, there are very few people who ever did get a glass of pure patent still spirit.

1429. Take your general knowledge: Do you think an ordinary customer in England, who stands impartially between Irish whiskey of different kinds and Scotch whiskey of different kinds, and asks for a glass of whiskey, would repudiate the taste of the patent still as whiskey?—I think the ordinary man would, certainly.

1430. I do not want to go too much into detail, but can you give me a general description as to the inefficiency of the patent still spirit? Is it inefficient in itself, or offensive in itself?—It has practically no taste at all, except as alcohol; it would have some effect in elevating him, but as to giving anybody the flavour of a pleasant drink, or anything of that sort, I should say, certainly not.

1431. You stated as your impression that a considerable bulk of the ingredients of the patent still is made of maize?—Yes.

1432. In your view is maize when used in large quantities injurious, or only defective as a product?—It is not injurious. I have no reason to think it should be injurious.

1433. Does it produce a bad taste, or is it inefficient as a stimulant?—If it were used in a pot still it would produce a bad taste.

1434. But in a patent still?—In the patent still the taste is eliminated and you get the pure alcohol.

1435. Can you make patent still whiskey according to your view with maize without using malt or barley?—No, you need enough malt (barley you would not need) to saccharise the starch of the maize.

1436. Can you give any proportion which you think you could safely use of maize and yet produce something which may be regarded as whiskey?—I do not think we use maize at all in any sort of proportion.

1437. I am on the patent now?—Yes. I can only judge from the evidence I have heard, and I believe something like 15 to 25 per cent. of malt is used to something like 75 per cent. of maize.

1438. So we have heard?—That is a chemical matter, and any chemist would know.

1439. Would that, in your view, produce a worse product for the patent still than is produced if you use a greater proportion of barley?—I do not think in the patent still it would make any difference.

1440. You do not?—No.

1441. As regards the flavour?—As I have said, it has no flavour, and I do not think it would make any difference. I believe the practice in the patent still trade is to use maize and as small a proportion of malt as they want.

1442–3. I suppose you know that a great deal of blending of whiskies takes place. I do not ask you to desecrate your whiskey, but, theoretically, could you blend a certain quantity of pot still whiskey and patent still whiskey without destroying your pot still quality?—As long as people will only use patent still to mix with our whiskey we can always find it out. Both our taste and the chemists help us better to distinguish the use of patent than if we blend two pot stills together.

1444. I do not quite follow you. Do you object to the blending of certain quantities of pot and patent?—I consider that if they use patent at all they are only lowering the quality of the pot still.

1445. In what respect are they lowering the quality?—From the pure commercial point of view the pot still costs a great deal to make; it is a very expensive process.

1446. I quite agree?—I have never heard of it being made under at least 2s. a gallon. Our whiskey costs us a great deal more than that to make. Patent, we all know, can be made from something like 9d. to 1s. a gallon.

1447. I want to know as regards what the effect is—I do not think you can give a proportion—of a certain proportion of pot still being blended with patent still. What is the effect upon the drinker?—If I were to describe the effect on our own whiskey I should think it would deteriorate the quality. It would take away from the flavour.

1448. You say proportionately to the amount of patent still that you put into your pot still the flavour would go?—Yes.

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1449. But if you put so much water into whiskey the flavour goes, and to a certain extent the strength goes?—Oh, no.

1450. I do not know about flavour, but strength?—With water bringing it down to merely decent drinking strength, I do not know that it would make any difference. You must put the water in.

1451. You are speaking of the flavour going, but I prefer to ask about the strength. Would you object to blending a certain quantity of the patent still with yours?—Certainly, because if the blend has a certain quantity of patent, while the strength, of course, is kept up in the whiskey which you put in your glass to mix with the water, the quantity of spirit put in will have less flavour; therefore, the whiskey and water will have less flavour than if it were our whiskey by itself.

1452. I perfectly understand, but I do not follow whether from the positive point of view that would be very injurious to the drinker, to the retail purchaser?—It is injurious in this sense. I can tell you what happens in our own business if you like.

1453. If you please?—We have had information given to us of whiskey being sold as ours which has been inferior in flavour. We have had it analysed, and we find the patent is in it, and when it is a case where we can prove it has been put in, we always prosecute whoever does it.

1454. That is not the point. As regards Jameson's naturally you do not like it; but I am speaking of the general effect on the public. If a man got a mixture is there anything but the loss of the flavour of Jameson's whiskey that he can complain of?—I think the same thing applies to every pot distiller in Ireland.

1455. If you please. It is the loss of the pot still flavour?—It is the loss of the pot still flavour, the moment you put in the patent.

1456. So I understand. The first element would be, would it not, if the retail vendor behaved well, the purchaser would get this blended whiskey cheaper than he would get the pure Jameson?—He would, of course, but whether it would be a question of price or not I think he should be told.

1457. We will come to that, and I am going to ask about that, as that is quite a proper question?—The main profit in the transaction belongs to the blender. Nearly all whiskies when they come to the consumer are sold at much the same price.

1458. That is the very point which I am going to address your attention to, but at present we are on this one point, that the consumer would not be at any great disadvantage in respect of either health or stimulating power by having a blend, but he ought to obtain it at a cheaper price?—I should say so.

1459. I think you used the term peat just now. There is no peat used in Ireland?—Not that I know of.

1460. Of course, it is in Scotland?—The peat is used to dry the malt. That is how it gets the flavour.

1461. Yours is coal?—Ours is coal, anthracite coal, by which the malt is dried.

1462. You know this blending process has been carried on to a considerable extent?—Yes, very largely; but I do not think it has been carried on much in Ireland.

1463. Not much in Ireland—are you right?—Very little in Ireland; except in the North of Ireland I do not think it is carried on to any extent at all, except with very common whiskey.

1464. If it has not come much under your notice, we can get it from practical blenders who know more about it. Do you know about it?—The blending?

1465. Yes?—No, not in our part of the country at all, as far as I know. It is done, of course. We know it is done.

1466. I want you to help us, if you please, a little. Take these processes as they occur, and let us first start with your distillery. I suppose some whiskey goes into bond, and some goes for exportation, and some goes for consumption. What is your practice as to giving notice as to what is contained in your casks as you send them out, both as to product and as to age?—All whiskey is sold by age. I do not understand your question as to what it is made of.

1467. Do you call it "Jameson's whiskey"?—Yes.

1468. You give the name of your well-known firm?—Yes.

1469. That you put on all your casks?—Yes, on all our casks. We are bound to. I believe everybody does in a pot still distillery. The name of the firm is put on the cask, and then it is sold.

1470. I am not aware that there is any statute that causes you to be bound to put the name on. It is a mere matter of custom, and to a well-known firm like yours it is an advantage?—I thought it was a Revenue question. I thought it was an Excise question, but I do not know.

1471. It is advantageous to a well-known firm like yours that your name should go on, and you prefer to put it on?—Of course, we do.

1472. (*Mr. Guillemard.*) It is only the name?—Yes, the name.

1473. You say the name only?—Yes, I think the name must go on.

1474. (*Chairman.*) The name of each distillery?—Yes.

1475. There has been no distinction whatever between pot still and patent still whiskey?—I think not, as far as the Revenue is concerned. As far as the Excise authorities are concerned, it is all spirit.

1476. What are you asking for—I am taking you for the moment as representing the interests of the pot still distiller—what are you asking for as regards the definition of the product? Are you asking that pot still and patent still should be ear-marked differentially?—I should think that the consumer should be told what he is getting.

1477. Take it, if you please, by steps. We have first the distiller sending off his cask?—Yes.

1478. He has the name only?—Yes.

1479. Your name is well known, but it may be, if the name of John Smith appeared, it would not be known whether it was pot still or patent still. Do you wish the two different classes of manufacture to be differentiated, so that it may appear which is pot and which is patent still?—Certainly.

1480. That does not exist at present?—That does not exist at present.

1481. I suppose those are the only two methods of manufacture known now. Of course, patents may come up and you may have fresh methods, but I understand you would have the method of manufacture stated upon the cask as it leaves the distillery?—Certainly.

1482. Now, would you follow that cask. According to your practice, when it goes for consumption, what becomes of it?—It is used in two ways. It is largely bottled, and, of course, it is used for the counter. You sell it out of the cask over the counter.

1483. Let us take the bottle. What would you have put on the bottle—the same as the cask?—Certainly. On the labels it should appear whether it is pot still or not.

1484. That you are asking for?—Yes.

1485. Let me ask your assistance to solve a more difficult question. What are you going to do with your blend?—I do not know whether I am right or not, but the word "blend," to my mind, means the mixture of two pot still whiskies.

1486. That may or may not be. You may have a blend of a pot and patent unless you wish to forbid it?—Well, the word "blend" should be used, to my mind, speaking merely from the point of view of the use of English in this way: when you blend two things it seems to me to mean you mix two things of the same character.

1487. It may or may not. I will substitute for the word "blend" the word "mix." Supposing pot still and patent still are mixed, do you wish that to be designated on the bottle?—Certainly.

1488. Then it is no use designating the fact that it is a blend unless you know the proportion of the blend?—I believe it is due to the consumer undoubtedly that he ought to know.

1489. Know what?—Know the proportion in which the patent is mixed with the pot. The whole value of what he buys depends upon that.

1490. Who is the person who bottles? Take the cask which comes from the distiller. Is it the retail seller, or some middle person, who bottles?—In a good many cases the distiller himself bottles. We do not bottle for home trade, however; we only bottle for export.

1491. The seller of the bottled article, dealing with this quite practically, would have a very great difficulty in knowing whether what was on the bottle was true?—Of course, he would.

1492. Who is to catch the offender in such a transaction?—If the Excise authorities would help us there, something could be done, because a great lot of this bottling is done in bond.

1493. You think that is so?—The particulars of all these mixtures, and everything, are given to the officers, and if they would extend their operations to passing out the thing with a Government guarantee to the public then we would know where we were.

1494. That is in bond, which is more easily dealt with, but I am taking the general public?—It comes out of the bond to the general public.

1495. Is that so in all cases?—Very largely.

1496. I thought only a certain proportion went into bond?—Once the duty is paid it is got into consumption as quickly as possible.

1497. Take the bottle as something tangible to be marked. A customer goes into a bar of a public-house, and says: "I want a glass of whiskey," will you tell the Commission how you would erect any safeguard as to what he is being sold?—The first question he would be asked would be whether he would have "Scotch or Irish."

1498. I agree?—Then if he says "Scotch," I think he should get Scotch whiskey made in Scotland, and in a pot still, and if he asks for Irish whiskey, I hold he should get Irish whiskey.

1499. Scotland takes longer to deal with?—You want me to stick entirely to Ireland?

1500. No, but I want to take your answer as to Scotland a little more in detail. You say if he goes into a public-house and asks for a glass of whiskey, and he is asked whether he would have Scotch or Irish, and assume he says Scotch, you think that he ought to have whiskey made in Scotland—that is to say, the publican ought to know that it is made in Scotland, and also in a pot still? Would you, by that answer, shut out the sale of Scotch patent still?—No, it should be described.

1501. Is the publican to say to the customer: "You have asked for Scotch. Will you have patent still or pot still whiskey?"—I believe the ordinary consumer thinks now he is getting pot still whiskey.

1502. You think the ordinary consumer really knows as much about pot and patent still as we do?—I think now he does know a great deal.

1503. Giving him that knowledge, what would you say? Would the publican be entitled to give him patent still whiskey as whiskey?—I do not think he ought to.

1504. Then you would shut it out altogether?—I think pure patent need hardly be discussed, because I do not think the public would take it.

1505. You are speaking as an Irishman, and you must deal with it from both points of view. Whatever may be the result, you would not allow the patent still whiskey to be sold as whiskey at all?—Certainly not.

1506. May it be sold, according to you, as any other product?—I do not quite understand.

1507. We have heard something about it being called "Spirits." We have heard it called "Spirits," and not whiskey. As you would not allow it to be sold as whiskey, would you forbid it being sold altogether?—Certainly not.

1508. In what name would you sell it?—Spirits—grain spirit.

1509. Grain spirit would be rather awkward?—The name I do not think is so important.

1510. It is; because a man must ask for something, and be supplied with something, and if you will not allow the word "whiskey" to be used he must know what he is getting?—I think nearly all these whiskies now are sold under different people's names.

1511. Does that include patent still as well as pot still?—It does apply.

1512. Then would you allow that to continue?—As long as it was stated on the bottle what was inside the bottle.

1513. The customer over the counter who asks for whiskey does not see the bottle. I am sorry to trouble you with all these details, but we have to deal with them, and they are difficulties which present themselves. I am dealing with a case of a purchaser over the counter. What are you going to do with him?—I think the vessel that contains the so-called whiskey should have on it what is inside it. I do not quite understand what you want me to say. I am rather dense about it, but I do not quite understand your question.

1514. What I wish to present to you is this: that a customer goes into a public-house where he does not see the bottle, and does not see the cask, so that it is a matter of word of mouth. He says: "Give me a glass of whiskey." I want to know from you whether a publican would be entitled to give him a glass of patent still whiskey?—I do not think he ought to.

1515. What ought he to say? Ought he to say: "The whiskey I have got here"—because we hear enormous quantities are made—"is patent still, but I cannot sell it to you because it is not made in a pot still"?—He can sell it, but I think he ought to tell him what it is.

1516. What ought he to tell him?—If he asks for a glass of whiskey he ought to get pot still whiskey. My opinion is—I may be wrong—that that is the only thing that ought to be called whiskey, and if he sells him something which I say ought not to be called whiskey he ought to tell him so.

1517. You are speaking very frankly from your point of view, but do not you know this patent still whiskey has been termed "whiskey" in the trade for a very long time? This would be a novel introduction, would not it?—For years, I should think, after the patent still was first used with the pot still it was undoubtedly a mixture. The patent still was not sold by itself, you know. There was a certain amount of pot still whiskey put into it to give the patent still flavour, and there is no doubt that it was an extremely profitable operation, and then, when it got to the consumer, he was told it was whiskey: there is no doubt about that.

1518. That we have heard. Again as to the blending. If this blending was a mixture, as you wish to have it called—we know the effect it has, according to you, upon the product—can there possibly be found any means by which the consumer can be told the extent of the blend, and how much is one quality, and how much the other?—I can say nothing more than that it ought, as far as the bottle is concerned, to be on the label, and it should be on the cask also.

1519. I am speaking of a word-of-mouth transaction over the counter?—It always has to be—you cannot help that.

1520. It must go by the wind?—It must depend on the honesty of the man who sells it very largely. The consumer is dependent upon that. If a certain thing is legal or illegal he is more or less bound by it.

1521. I understand your point is as to the difference between the cost of production being a great inducement to the retail dealer to sell the patent still product?—For as long as I can remember, and before that, the expense of making whiskey in the pot still has always been held up to us as a mistake on our part. Many persons have come to us and tried to show us how to make our pot still whiskey cheaper, and eventually when the Coffey still was discovered they discovered a cheap method of making the article, which, as we know, can be mixed up with the pot still whiskey, and that produces a cheaper product.

1522. Therefore, it is a great inducement to the retail dealer, assuming he believes he is selling a pure article, to be selling this as whiskey at the same price as he sells the pot still?—Exactly. That is the whole point.

1523. Your point is that you should stop that?—Well, you say: "We wish to stop that." I think it is only fair to say that we personally have never taken any steps in this matter at all.

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1524. I quite understand that?—It was the Islington Borough Council, and we were summoned as witnesses in that case as to how the pot still whiskey should be made, but, personally, our firm have never taken any steps in the matter.

1525. I quite understand that.

1526. (*Mr. Guillemard.*) You have never really moved unless it was your own actual trade mark, or name, which was infringed? Then you would have moved on your name? But you have not moved simply on the question that turns on the name "whiskey"?—We personally have not done so.

1527. I thought that was so. There is one point I want to ask a little more about; that is, with regard to how the Excise could help you. I see your point there. You mean that everything as it leaves bond has to go out with a certain label on it?—Yes.

1528. You suggest "Pot still whiskey" or "Patent spirit," or, I think, you suggested "Mixture"?—Yes.

1529. As it goes out of bond; but there is this difficulty. Say that goes to be blended. That alters the situation at once, does not it?—It does.

1530. The Excise labels become no good?—Except if the operation is done in bond.

1531. But if it is blended outside?—Once it is blended outside, of course not.

1532. A great deal is blended outside, is not it?—I think, if the Government authorities gave a guarantee of that sort, the whole operation would then go on under proper supervision.

1533. What sort of supervision?—Government supervision, because if the public knew there was a Government guarantee, then they would all go for that article.

1534. You mean the public would not willingly drink any article except what had been blended in bond?—I think if they could get a Government guarantee on what they were drinking they would follow the Government guarantee.

1535. It would come to this, would not it? If what you wish were so, it would mean that the public would not touch any blend except the blend that had been made in bond?—I should think it would probably result in that.

1536. Other considerations would come in—I am not expressing any opinion about it—but it would kill a biggish trade. It would kill the outside blending trade, would not it? I do not know whether you are prepared to want to kill the outside blending trade, but I think that would follow?—The word "outside" is the whole point there. It would not interfere with the real trade at all.

1537. I do not think there is any way out of it. It would destroy the blending outside bond if the public got to insist on blending in bond. I think that follows?—It might be a very wise thing to be done, because I think that probably the most dangerous part of the trade is the trade that is done in blending without anybody's knowledge, and without anybody knowing anything about it. I think you would probably get a much better class of spirits.

1538. Then you would be prepared to go so far as to favour that?—I would, certainly.

1539. There is another difficulty, and that is the difficulty that comes from a certain amount of dishonesty. You put the label on in bond, and when it leaves bond it has got a description on it. In the Excise they know very well that in a great number of cases directly you get a cask, or whatever it is, out of bond, the first thing that is done is to alter the label. That is a fact?—Yes.

1540. Labels are very frequently altered out of bond?—Yes.

1541. I am only trying to bring out how far the Government can help you in the way you are suggesting. Can you suggest at all how the Government can prevent that happening?—Well, I think tampering with labels, the removal of one label and the supplying of another, and so on, could be traced, and that the common law would come in and assist us.

1542. You have to prove it?—You have to prove it. Everything lies in that, certainly.

1543. Do you think it would be easy to prove?—That is when bottled in bond and a correct label put on, and when it got out of bond the label being washed off, and another put on?

1544. It is done by people whose interest it is not to be detected in doing it, and do not you think it would be rather difficult to detect?—So far as the patent still spirit is concerned, if they put a label which denoted that there was less patent still in it and more pot, it would be raising the quality of the whiskey as far as the public was concerned. I think that could be got at by analysis. I think the chemist could help us there.

1545. That is just what I was coming to a little later. I suppose you will agree that the only absolute test is the analysis of the article that is given to the consumer. I mean that is the only way of really proving that the proportions are what they are said to be?—I believe so.

1546. Do you think an analyst could detect the proportions at all accurately in a blend? Of course, the analyst could tell pure pot, and he could tell pure patent, and he could tell a blend, but do you think he could test the proportions of blend?—Supposing the spirit comes out with the Excise label on it stating it is a certain thing, and he knows what ought to be in that bottle.

1547. Take an Excise label, stating it is 20 pot and 80 patent?—Take it the other way. Suppose the Excise said it was 50 pot and 50 patent when it got out, and a label was put saying it was 10 patent and 90 pot, or something like that.

1548. Forgive me a minute. You have practically answered my question, because you have put the limits so far apart that they are very easy to detect, I mean if it was correctly labelled in bond 20 pot and 80 patent, and the label was altered to 80 pot and 20 patent, very likely that could be detected; but the difficulty would be to at all accurately detect the medium, the sort of half and half?—You mean that there could be dishonest action in it—I am sure there could.

1549. That is not my point?—Your point is that the chemist could not find it out.

1550. With the ordinary blend you meet with over the counter, do you think an analyst could really detect the proportions in it?—I am quite sure that a certain portion of patent could be put in in such a way that the analyst could not detect it. If he kept within safe limits I think there is no doubt about that.

1551. That is what I was putting?—If I might be allowed to say this about the Excise—it would be a very great help in our export trade if we had some Government supervision. The United States, and all the Colonies, are now going on those very lines, and they are making us sign a statement of the age of our spirits, and so on. If we had a Government guarantee backing up the private guarantee there is not the slightest doubt it would largely help the export trade of this country.

1552. That is getting a little beyond what we are here for, perhaps, but I know you are interested in it. I would like to ask your opinion on the question of compulsory storing, or keeping in bond, whiskey, because I have been reading the Minutes of the 1890-1 Select Committee. I do not think you came before that?—No, I did not.

1553. There were many very well-known traders who came. I think the trade, as far as I know, was very well heard, and leading people on both sides were heard, and I think I am right in saying that the great majority of them at that time had not made up their minds in favour of compulsory bonding of spirits?—Yes.

1554. Have you any views on that?—I think it would be to everybody's advantage if there were a period of compulsory bonding. There could hardly be two opinions about that.

1555. For all spirits, pot and patent?—Certainly.

1556. What exactly would be your reasons for that? What particular advantage would you think would be secured by the storing?—Well, I cannot say much about the patent, but as far as the pot still is concerned there is no doubt that it mellows, and is decidedly a greatly improved spirit by age.

1557. In your opinion, would that be the case with the patent still?—I believe so. I believe that one of the things that probably ought to be guarded against in the mixture is that when you mix patent and fairly new pot, you can sell very new spirits indeed with a sort of flavour about them that cannot be distinguished. The pure pot still must have age to be drinkable, and, as a fact, pot still whiskey is of a considerable age before it is used in practice.

1558. I think the opinion of the trade in 1890-1 was generally to the effect that compulsory bonding would rather unduly restrict the trade. You would not agree with that?—Certainly not.

1559. They took the line that it would mean extra expense, and they also took the line that several things tended to keeping the spirit a long time in bond, one being that it was to the actual interest of the distiller to do it, because it was a good investment—I mean that it paid him to store it?—Yes.

1560. And that he would do it on that account without any legal necessity. That is the pot still people?—Well, I do not think that would apply to the patent still, but it certainly does with the pot still. I certainly do not think it would apply to the patent.

1561. Your view is that the compulsory period should apply to all whiskies, both pot and patent?—It would hardly do to distinguish one from the other in that way, and to inflict a penalty on the pot that you did not put on the patent would hardly be fair.

1562. If the patent does not improve in bond might not you be hitting the patent a little hard by requiring it to be kept in bond, when it was not getting any better?—Well, I suppose in some way it might improve, but I do not know.

1563. I am afraid I must leave it to the chemists to ask that question, as I have not enough knowledge to ask you about it?—I would not like to give any opinion about that, but it would be increasing the anomaly. The pot still now costs a great deal to make and is difficult to sell against a mixture. If you compelled the pot distiller to keep his stuff, and let the patent still distiller do what he pleased, it would make it more difficult.

1564. Have you any suggested limit of years for compulsory bonding?—I think it ought to be kept for three years at least. I am sure if you were to inquire from distillers of my acquaintance they would tell you that practically all spirit they know of of theirs is certainly three years old before it goes into consumption to any extent at all.

1565. We shall have other witnesses, of course, on this, but have you any idea how far you, speaking for the pot still trade, can recommend compulsory bonding? Do you think they would go with you as a whole?—I think that the practice of the pot still trade, as far as I know it, is that they already keep it for such a time that it will make very little difference to them. I think the practice of the trade is to keep pot still whiskey for about three years.

1566. You think as a trade they would be in favour of compulsory bonding—the pot stillers?—I believe they would.

1567. There is only one other point. I see in the conclusion of your summary of evidence you make certain recommendations in the general interest of the consumer, in the interest of the public health and of the legitimate trade. In giving your evidence you have said a good deal about the interests of the consumer and of the trade; but how, exactly, would your recommendations conduce to the public health?—Well, largely in the ageing of it. As far as the age part of it goes, I think at present the very inferior whiskies that are sold cheaply are where fairly new pot whiskey is mixed with patent, so creating a strong raw sort of spirit. The two can be made so that you can disguise the flavour in a way, and it makes a very raw spirit. I think in that way, undoubtedly, by putting on the age clause, you could prevent that, and especially also by the statement to the public of what they are getting.

1568. That has nothing to do with the public health?—I think it has.

1569. I did not mean to contradict you, but I want to see the way in which the public health can be benefited?—In that way, that I think if the statement was on the bottle, or the cask, that it was new, or that there was a certain amount of patent mixed with so much of the pot, it would stop a lot of these very low class spirits being sold.

1570. Then the only point in which you lay stress on the public health is the age of the spirit as distinguished from the materials or processes? You do not contend that as a process the pot still produces an article that is better for the public health than the patent still? It is only the age and the time it is kept?—I think so; but I do not like to put that forward because there is no use talking about a thing when it is only my opinion. There is no use bringing that in as evidence.

1571. (*Dr. Cushny.*) Several witnesses have talked about the line arm: could you give us some description of what the line arm is?—There is the still *here*, the line arm would come in behind that screen. Suppose the whiskey comes up *here*—this is the worm—going off to the worm top, on this piece of it *here* there is a thickening which lies in a tank, a long narrow tank, which may be about the length of from *here* to the end of the room; and *this* part of the arm is thickened and from that there is a small pipe that runs back in here into the still. But I think that the reason of that is more because of the lift of the materials in the still. There is a great mass of 18,000 or 20,000 gallons of stuff raised to a boiling temperature, and that ebullition would force some of the material itself, instead of the spirit over. I think the line arm is merely a thing to catch that, as far as one can know what it is there for. I should doubt if anybody knows. It has always been there.

1572. It is a little similar to some dodges we have in the chemical laboratories for fractional distillation?—No, there could not be anything of that kind, because it is a very little thing compared with the whole affair. Nothing of that sort could go on. It is merely to keep things, that should not come over, in a mechanical way, I think. There could be nothing else in it. With the amount of stuff that is being dealt with, what could go on in this little thing, in the length of the whole worm? It would be practically impossible for it to be anything in the way of fractionation. I do not like to speak as a chemist, but I think anybody would know that a little thing like that, in that length of worm, and at the top of the still, can have practically no effect whatever.

1573. There is another point which I am not quite clear upon, and that is when the foreshotts return to the still in the pot still?—In our pot still, it is hardly what are called foreshotts. What are called foreshotts is the first spirit that really comes over the still, and is supposed to be good for rheumatism and that sort of thing; but in the distillery it is called No. 1 low wines and No. 2 low wines; and then when they are redistilled they are called No. 1 feints and No. 2 feints, and then they go into the spirit still and the spirit comes off. But how do you mean? I do not quite know which is the foreshott you mean?

1574. Well, the first part of the distillate that comes over is not called whiskey, and does not go into the whiskey cask?—No, the wash is put into the wash still and the first part of the distillate that comes over is called No. 1 low wines, and the second part is called No. 2 low wines; and then, that being distilled is called No. 1 feints and No. 2 feints; and then in the next distillation, in the spirit still the first lot that comes off has to be left back and to go on always from distillation to distillation. After the first lot comes off, then comes the whiskey for a certain time, and then comes off a certain quantity more that cannot be taken off as whiskey, and that goes back and is redistilled over, and over, and over again.

1575. Is not there a certain fractionation there?—That is chemistry. I think not. I really could not tell you.

1576. Who could tell us that? I mean to say it is a point that several witnesses have spoken of, and I must say I have not got a clear idea whether this division into feints and into whiskey is really fractionation, or whether it really all goes back, or what comes out?—It is all distilled over and over again and the product always retains the flavours, that is all I can say about it. If we alter the materials of our mash we give away entirely the flavour.

1577. That I can quite understand, but that does not answer the question whether there is not fraction-

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ation actually in an ordinary pot still. Another point was as to this statement of yours that the direct action of fire heat produces flavours. Is that simply a matter of opinion, or is that chemical?—That is a matter of belief and opinion.

1578. It is a matter of belief?—I believe we would never risk using steam jackets. We believe we would alter the flavour, but the experiment would be such a costly one that we would never try to make it.

1579. That is what I wanted to know?—Of course that is my belief.

1580. (*Dr. Horace T. Brown.*) You said in your *précis* that your distillery, since its foundation, has made only one kind of whiskey, namely, pot still. I suppose you do not imply there is another kind of whiskey which is not derived from the pot still?—I see the point. Of course, that is so.

1581. You speak of "only one kind of whiskey." You have only produced one kind of whiskey, namely, that from a pot still. Do you mean to say that anything which is not made by pot still may still be called whiskey?—That is one way of putting it—I think not.

1582. It is possibly a slip in your *précis*?—I should say decidedly so, looking at it in that way.

1583. I see you have somewhat extended the definition of Irish whiskey given to us by Mr. Bramall by adding that it is the product of a series of distillations—two or three distillations?—Yes. It would not be whiskey if it was only one distillation.

1584. You would regard that part of the definition as essential?—Yes.

1585. You would put out of Court any still, pot or otherwise, which would produce whiskey at one operation?—I would.

1586. I do not want to ask you any questions which involve trade secrets, and you must stop me if I do so, but you said your firm uses materials of the best native quality which money can buy. Does that mean grain grown exclusively in Ireland?—No, it does not. As a rule, we do. Wherever we can get sufficient corn of the quality we want, we buy all Irish, because we do believe—I do not know whether we are right or not—that the flavour of the whiskey depends also upon its being mainly made out of Irish grain. That is our firm belief. I believe that if we were to take barley grown in England, and barley grown in Scotland, that it would alter the flavour of the whiskey; but, of course, the main bulk of the stuff comes from our own districts that we know of, but we have often in bad years been obliged to come over here. There may be a bad harvest over there, and we cannot get enough of the high quality grain. That is the only reason that makes us come over, because the quality is very essential.

1587. Do you mind telling us if you use any foreign grain of any kind?—Never that I have known, never in my time.

1588. It is all either Irish, English or Scotch?—We have used Scotch barley, and we have used English barley, and I do not think we ever used any Scotch oats; it is nearly always Irish oats—I am sure it is. But rye is a very difficult thing to buy nowadays grown in Ireland. There is very little of it grown, very little of it indeed.

1589. Do you know whether maize is ever used by the Irish distillers as part of their grist?—I should say not; I do not know. But I never knew of any pot still distillery in Ireland using it.

1590. You would deny the name of whiskey to any pot still distilled spirit which was in part derived from maize?—No, I would not. As long as he uses the pot still the flavour of maize will be there, and he will have to sell his whiskey on its merits.

1591. You would not deny the use of maize altogether?—No, if he likes to use maize; because if he uses his pot still his whiskey will have the flavour of maize and everybody will know it.

1592. Then I misunderstood you, and I am sorry for that. I was going to point out we had it in evidence from Mr. Tedder on the first day that a certain amount of maize was used in Scotland in some distilleries?—There is no reason why it should not be, but it will carry its own character on the face of it.

1593. You have stated that the main ingredient of the materials used for Irish whiskey is malt?—Yes.

1594. Barley-malt and unmalted grain being in varied proportions?—Yes.

1595. Are we to understand that of all Irish distillers—I am not speaking of you especially?—Certainly.

1596. That Irish distillers never use less than 50 per cent. of barley-malt?—I did not say they used 50 per cent. I hope I did not.

1597. You said in the main. Your words are: "The main ingredients of the materials used for Irish whiskey are barley-malt." I think that is how it runs. "The main ingredient has always been barley-malt"?—Did I say we used 50 per cent. of barley-malt? I hope I did not.

1598. You said "The main ingredient," and I thought you meant by that you used at least 50 per cent. We had it also from Mr. Bramall that not less than 50 per cent. was used. Your words would rather imply that, would they not—"the main ingredient"?—Could the shorthand writer tell me what I said, because I should like to know about that?

1599. I have your *précis*—"The main ingredient has always been barley-malt." By that I thought you meant you always used 50 per cent. at least of barley-malt?—Oh, no.

1600. I beg your pardon. (*Chairman.*) Just tell us what you do mean by that?—What I mean by what?

1601. What you mean by what has been read to you—"The main ingredient is barley-malt." What do you mean is the main ingredient? Do you mean in proportion to others, or in actual superiority of ingredients?—In proportion to the rest.

1602. Will you give us an example of what you mean by that?—The largest quantity of any one material in would be barley-malt; but also in this, that the thing on which everything depends is the barley-malt. The quality of the material—the quality as produced—the thing to which we look mainly as making the whiskey what it is, is the barley-malt; but I do not mean to say for a moment that we call our whiskey malt whiskey.

1603. (*Dr. Horace T. Brown.*) Supposing the distiller is using 30 or 33 or 35 per cent. of barley-malt, can you call that the main ingredient of his grist?—It would be, if he used half a dozen other things, none of which were 33 per cent

1604. You do not mean the main ingredient as regards the whole grist?—No. I see your point now. I did not understand it before. You mean that there was more barley-malt in the mash than all the rest put together?

1605. That is what I gathered?—Yes. If my words can be taken to mean that, that is not what I meant them to mean.

1606. That was my impression?—I should like to be quite clear about that. I have no idea of any way of trying to mislead you as to what I mean.

1607. Certainly not. I think you have told us also in your *précis* that the patent still spirit has come into use during the last 40 years, and that during practically the whole of that time this has been without the knowledge of the consumer?—Yes, that is my belief.

1608. I was going to ask a question with regard to a pamphlet which I see was issued by your firm somewhere about the year 1876 in conjunction with three other Dublin distillers. Did you, in issuing that pamphlet, call public attention to the mixture of patent still with pot still?—I daresay we did. It was long before my time. If you have it you will probably know.

1609. I have not the original pamphlet, but I have the second book which was published, I think, in 1878, entitled: "Truths about Whiskey." In that book, I think at page 12, you refer to a pamphlet which had been issued a few years previously, in which you call fuller attention to this use of the patent still spirit by the blenders of Irish whiskies, denouncing this blending as a fraud on the public?—Yes.

1610. At page 12 I see you state that a previous pamphlet, with extracts from newspapers, had been

very widely circulated, and the effect of that soon became apparent. Does that mean that the practice of blending diminished after the issue of the first pamphlet? Have you any reason to believe it had any distinct effect?—Personally, I really could not give you any information about that. That pamphlet was published long before my time, and I really have no knowledge about it whatever. It would be no use my answering any question about it, because I do not know, really. At the date of that pamphlet I had nothing to do with distilling, and I did not know anything about it, and I do not know really anything as to what their grounds were. I am afraid that is a point I could not give any information about. I would be very glad to answer the question if I could.

1611. Your firm has consistently opposed the sale of Irish whiskey containing any product of the patent still?—We always have done.

1612. Do you not think that the public was to a certain extent informed on this question of blending by that pamphlet, and also by this little book of yours called "Truths about Whiskey"?—I suppose they were, but what amount of information it gave I really do not know. I could not give you any particulars as to what extent they published it, or what they did.

1613. So that it is perhaps not quite accurate to say: "During the last forty years in which the blending of the patent spirit with the pot spirit has existed the practice has been going on without the knowledge of the consumer"?—As far as that pamphlet is concerned, I should say the statement is quite correct. I do not suppose one consumer in a hundred ever saw the pamphlet, or heard of it.

1614. Or this book?—Or that book; I should say not. I really do not know, but I should doubt very much if anybody ever did. I am just merely expressing an opinion as an ordinary member of the public. I do not know anything about that.

1615. You do not think it is sufficient of itself?—I do not think it was advertised, or pushed, or brought before the public in any way which would let the ordinary consumer know anything about it. As far as I know I do not think so. I have heard some talk about that publication, but I know very little about it.

1616. You regard the product of the patent still as a neutral or silent spirit?—Yes.

1617. And the improvement effected by age on patent spirit is, to quote your own words, "extremely slight"?—I believe so.

1618. I should like to ask you, in conjunction with that statement, some questions about the increase in value of pot still whiskey at various ages as compared with the value of patent still spirits of a similar age. In the first place, I will take the figures you have given us in your *précis*, where you start with your new whiskey at 5s. per gallon?—Yes.

1619. In two years' time that has increased to 7s. 3d. per gallon—an increase of 2s. 3d. in two years—being an increase of 45 per cent. on its original value?—Yes.

1620. In seven years it has increased by 126 per cent. on its original value?—Yes.

1621. And in fifteen years by 211 per cent. according to those figures?—Those are facts.

1622. You start with the price of patent still spirit at 1s. per gallon proof, and you state that, as far as you are aware, no patent still spirit kept for any length of time reaches a figure of more than 5s. per gallon?—I believe that is so.

1623. That is an increase of 4s. per gallon, or 400 per cent. on the original price?—Yes. I should say that 5s. for patent still spirit is a very high price. I should doubt if there is much of it sold at such a figure.

1624. I quite agree?—I am merely quoting there from a very, very large figure. I do not wish in any way to appear to make a statement against the patent still spirit as to its ultimate price, because I am sure the Commission will have evidence as to what the patent still spirit is sold at in the trade.

1625. It is not, perhaps, fair to take your figures, especially as your whiskey is of a very special make?—I think all pot still whiskies rise very considerably in price as their age goes on.

1626. Pot still?—Pot still.

1627. I should like to ask you a few more questions on that point. Do you know the evidence on this particular subject which was given before the Select Committee of 1890-91 by Mr. John McGilchrist Ross, of the North of Scotland Distillers' Association?—No, I have no knowledge about that.

1628. I think it is in answer to Questions 1939 and 1940, on page 17 of the Report. Mr. Ross, in answer to certain questions, said that malt whiskey rises in price from 4d. to 6d. per gallon per annum on the original gauge, and that grain spirit advances 2d. per gallon per annum up to six years old. Do you agree with that in general terms?—As regards the patent, I have very little knowledge about the patent. I should think the Commission would get far more reliable information about the patent still prices from somebody who knew more about it than I do, but it is certainly not overstating the case to say that pot still whiskey rises by 6d. a gallon per annum.

1629. 4d. to 6d.?—Certainly.

1630. So that we may take 5d. as an average?—Yes, but that is for a lot of different classes of pot still whiskies.

1631. Assuming the grain spirit does increase at the rate of 2d. per gallon per annum, it is rather interesting to see the relative rise of price of the two in the course of four, five, or six years?—But then you have got a different starting point.

1632. Yes, we have a different starting point, but in considering the relative costs we ought to take the percentage upon the initial value in both cases, ought we not? We start, for instance, with a malt pot still whiskey at 3s. 6d. That would increase in the second year to 3s. 11d., 4s. 4d. in the third year, and so on up to 5s. 7d. in the sixth year. Then the advances per cent. upon the original cost come out as follows: In the second year a 12 per cent. advance, in the third year 24 per cent., in the fourth year 35 per cent., in the fifth year 47 per cent., and in the sixth year 60 per cent.?—Yes.

1633. If we start with the grain spirit at a shilling per gallon, the percentage advances in the second, third, fourth, fifth and sixth years to 16 per cent., 33 per cent., 50 per cent., 66 per cent., and 83 per cent., so that if those *data* are correct, the price of the grain spirit advances in a more rapid ratio than that of the pot still spirit?—But granting even that that is so, which, of course, as far as the ordinary trade is concerned would have to be compared with what the real prices on the market are, still the patent remains very largely lower in price than the pot.

1634. There is a difference of 2s. 6d. a gallon on those prices, taking the pot still at 3s. 6d. and the grain spirit at a shilling, but in estimating the relative rise of quality, as tested by price, surely we must take it as a percentage value on the initial cost in each case, must we not?—Yes; but as I said, I do not like to say anything about patent. If I were asked my opinion, I would say that patent still spirit gets, it may be, up to 2s. or 2s. 6d. or 3s., and you can always put it at that figure, and goes no higher, but I should doubt very much——

1635. We have Mr. Ross's evidence on this?—I do not like to discuss the point, because I really know very little about it.

1636. Would you accept a current price list, such as I have here, as a test on the subject? I have taken out some three or four Scotch whiskies here and compared them with patent still products at differences of four years, four years apart?—Yes.

1637. I find that the average increase in four years of the three Scotch whiskies is exactly 22 per cent.?—Are those patent still whiskies?

1638. No, they are pot still whiskies; Glendallan (Glen Livet), Glen Rothes, Highland Park?—Yes.

1639. The advance in four years on the original cost averages 22 per cent. Taking the Irish grain from the same price list, I find that has increased in four years 26 per cent. on its original price, and the Scotch grain in three years by 20 per cent. on its original price?—I should say all those increases

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occur probably in the first few years. Could you find any instance where the grain spirit has increased much in price after it is three years old?

1640. My information does not go as far as that. I have taken the longest periods I could?—That would probably apply to patent still. I should say this increase of value would occur at the very early periods of its age, and then probably cease altogether.

1641. Do you think those figures bear out your contention that the improvement effected by age on the patent still is "extremely slight," to use your own words?—Regarded from the pot still distiller's point of view certainly, because, as I say, the ages that you are talking about, the two and three years, for whiskey, in a pot still distiller's eye, are of no importance. We do not think that our whiskey should be used at those ages at all.

1642. In the first place, I am taking your own figures in which you state that the patent still product which originally cost 1s. may go up in value to 5s., which is a rise of 400 per cent. in a certain period; and I find that your own whiskies, according to your own showing, only rise in 15 years by 211 per cent.—that is an advance in price of 211 per cent.?—As it gets older it steadily increases in price, and that does not occur with the patent. I am merely stating what I am sure the Commission will get in evidence from other sources much better informed about the patent than I am. The pot still whiskey, as it gets older up to 15 years of age, goes steadily increasing in price, and the patent gets its increase in price during the first years of its existence, and then I should think, remains practically steady. If the information I have is correct it is better not to keep patent still too long.

1643. It is very unusual to keep pot still whiskey for 15 years, is not it?—Yes, because it gets very expensive and it is a very great luxury.

1644. Is most of the pot still whiskey sold in three, four, or five years?—An immense amount of our manufacture is sold seven, eight, or nine years after—largely seven years.

1645. I am speaking of Irish whiskey generally. I am not talking about your own especially?—I believe there is very little Irish whiskey sold in Ireland much under five years old.

1646. Five years?—I think so.

1647. That is almost within the period of improvement of patent still spirit, because you say it improves up to four or five years?—I do not really wish to be taken as expressing any opinion on patent still improvement. My own opinion, if you ask me what I think, is that it improves very, very little.

1648. You have stated that in your *précis*, and that is the reason why I questioned you about it. It seemed to me that was scarcely borne out by the differences of price. We have only, at the present time, to consider the quality of the spirit at various ages by the price lists?—If you start with the patent at 1s. a gallon and put 2d. a gallon on it it only gets at the end of three years up to 1s. 6d.

1649. That is a 50 per cent. increase on the original cost?—Yes; but still, that is a very cheap article.

1650. You do not make a point of fire heat under the pot still?—I do, as far as belief goes.

1651. But you would not bring that into the definition in any way? You would not state that pot still whiskey could not be produced without a fire?—Well, if it was made by a steam jacket; but if naked steam is let into the mixture, then I say that a difference occurs. I do not think it would be correct to call it whiskey so long as the spirit is taken off by the use of naked steam.

1652. Anything like a steam jacket put into a pot still would entirely——?—Would entirely alter its character.

1653. Would entirely alter the flavour and bring it outside your definition?—Yes, it would.

1654. Then that is another little extension we must have of the definition. Your second definition of whiskey is that it is not only the pot still, but the particular method?—It all comes back to the pot still. I do not think you could use naked steam in the pot still. As long as you use the one instrument it settles the question.

1655. There is one question I was going to ask you which has been to some extent anticipated, with regard to your suggestion as to putting the spirits into bond. You consider, as regards Irish whiskey, that it is desirable from the point of view of public health, amongst other things; but you do not mean to say, I suppose, that the new Irish whiskies, apart from flavour, are in any way injurious to health?—Again I say I do not know much about the patent, but I do not think it is a good thing for people to drink new spirits. It is far better for the public health if they are matured.

1656. Would they take pot still whiskey new—would the public consume such a thing; it is not a pleasant thing, is it?—As a matter of fact, they do not.

1657. They do not?—No.

1658. That is a question of flavour?—It must be so.

1659. Is not that of itself a sufficient safeguard?—No, because if you mix new pot with some patent you can get quite a drinkable thing that can be drunk, but if you keep the pot by itself they will not drink it new. If you take some patent still spirit and mix it with raw new pot still spirit you can get something which is quite saleable as a cheap common spirit, but I should say by no means good for the public health.

1660. On account of the new pot still whiskey in it?—Being disguised by the patent.

1661. Which is the injurious ingredient there, the pot still or the patent?—If it is new patent and new pot both are not very good; they would be much better kept.

1662. Do you think that applies to the patent spirit as much as to the pot still spirit?—I do not think it applies as much, but I should say it does to a certain extent. I would like somebody to speak about patent who really knows it.

1663. You have described grain spirit as being practically silent spirit, unalterable, and I cannot quite see on what ground you would demand that this patent spirit should be put on the same terms with regard to bonding as the pot still whiskey, which requires maturing?—You mean that because I hold that it does not improve therefore it should not be kept in bond?

1664. With what object would you suggest that it should be kept in bond if it is something which does not improve or does not alter in any way?—I would not go the length of saying that it does not alter in any way, because apparently it alters to the tune of 2d. per gallon, per annum, in the opinion of the people who pay for it; therefore, there must be some sort of alteration.

1665. (*Dr. Adeney.*) It is important for the Commission to have as clear a differentiation of the pot still process as possible, so you will forgive me for going a little into the detail, it will not be unreasonable detail, of your process. Could you describe, in the broadest outline, the features of your distillation process?—Beginning with the mash?

1666. No, with the wash?—Do you mean when the wash is put into the fermenting tun, and then fermentation—from that part of the process?

1667. Yes?—The contents of the fermenting back, as it is called, are run into the wash still, and there it is distilled over the first distillation. The first part of the distillation is called No. 1 low wines, and the second part is called No. 2 low wines.

1668. That is, you separate the distillate into two portions?—Into two portions.

1669. Is there any distinctive difference between those two portions of the distillate?—In the strength. Up to a certain strength, it is called No. 1 low wines, and then after that certain strength it is called No. 2.

1670. No. 1 being stronger in alcohol?—No. 1 being stronger in alcohol than No. 2. Then in the feint still the low wines are distilled—I am giving a very general description.

1671. That is all I want?—In the feint still the low wines are distilled into No. 1 and No. 2 feints.

1672. What is the difference between No. 1 and No. 2 feints?—Again the strength.

1673. No. 1 being stronger in alcohol?—Yes, and in the spirit still there is a mixture of No. 1 and No. 2 feints, and a certain portion of that goes off again as No. 1 or No. 2 feints, but the central part of them is spirit—it is the whiskey.

1674. (*Dr. Horace T. Brown.*) That is the second distillation?—No, the third distillation. That is a very general description of the three distillations it goes through.

1675. (*Dr. Adeney.*) So that in those processes of distillation, in your first process you get the separation of the two portions of the distillate, one stronger than the other in alcohol?—Yes.

1676. In your next you get feints and whiskey—do I follow you correctly?—No; in the second process it is only feints.

1677. In the third process you get feints and whiskey?—Yes.

1678. Is not that a process of fractionation?—That is a question that really I am not enough of a chemist to answer.

1679. Speaking from a commonsense standpoint, taking your three processes?—How do you define the word "fractionation," and then I can answer.

1680. You have the distillate; if you take the whole distillate from your three processes of distillation, and you divide that distillate into three fractions, three parts?—Yes.

1681. Those three parts are fractions of the whole?—Yes.

1682. The first fraction goes off at the lowest temperature?—Yes.

1683. The last fraction goes off at the highest temperature to which the contents of your still is taken?—Yes.

1684. The whiskey then comes off in the middle temperature?—Yes.

1685. Is not that what a scientific man understands by fractionation?—You think that fractionation is a mere separation into different parts, not a break-up into its constituent parts?

1686. I will not say that entirely, but the fractionation consists of separate portions of your distillate, each given off at different temperatures?—Certainly, if that is fractionation, of course we do it—if that is all that is meant by fractionation.

1687. Then those different fractions have different compositions?—Yes, if that is all that is meant by fractionation. We certainly break it up into different parts, there is no doubt about that.

1688. So far as the pot still acting as a fractionising or rectifying still is concerned, I can understand the explanation that one of the objects of the line arm, as you have told us, is to throw back particles of liquid thrown up by ebullition into the still?—Yes.

1689. But how does the level of that line arm run?—Just where I have shown you on the stand.

1690. Does the level incline backwards to the still?—No, I thought I explained that there is a small pipe from the bottom of the line arm which runs back into the still.

1691. And that drains that bit?—That drains that bit; it is a little bit of pipe that runs back.

1692. But it really drains it?—Yes; supposing that anything really did come over into that, it would go back into the still.

1693. Also if any vapour were condensed it would go back?—The tank that it is in is a very small thing which merely holds a pipe and has very little water round it, and as a matter of fact the water that is round the line arm is so hot with this enormous great pipe in it that practically nothing in the way of condensation worth speaking of could go on.

1694. What do you mean by "so hot," in actual degree of temperature?—Well, you could hardly put your hand into it; it is up to so high a temperature that the spirit, or whatever is coming off the still at that point, is very, very hot, and to effect any real cooling there you would have to have an immense volume of water.

1695. I understand that?—There is very little going on in that part. That is what makes me think it can never be there with any purpose, except to catch something which will deposit itself without the cooling process.

1696. I understand that you do not wish to produce any great condensation there?—No.

1697. But my point is that some bodies of a higher boiling point would be, as a matter of fact, condensed there?—It may be so. Nobody could argue about it. The vessel is so big, and the volume of stuff going through so great that I do not know how you could find out what is chemically going on there. Without any real and accurate knowledge I should not like to express any opinion, and I do not think anybody could say what goes on.

1698. I think I may assume that there is some fractionation?—I could not argue against the assumption, but I do not know on what grounds you could base it there.

1699. You have three spirit fractions coming off at different varying temperatures, and then you have three processes of distillation, all of which must tend to separate your products into classes of bodies having different temperatures and boiling points?—Yes, but the one thing about the whole business is that, whatever fractionation might go on, still the method preserves the original flavours.

1700. May I put this question to you: The pot still separates all the undesirable products from the spirits?—That is what we believe.

1701. Have you found by experience that fractionation can be practically carried out by the apparatus that is employed?—The expense of these three distillations is very considerable, and I have not the slightest doubt that it is done to eliminate what would make bad liquor, what would not be good.

1702. You want to get a good liquor, and you use utensils and processes which experience has taught you you can use?—That is it.

1703. To that extent your apparatus does act as a fractionising or rectifying apparatus?—There you have the advantage of me. I could not express an opinion, as far as a term of that sort is concerned, that would be of the least value in chemistry; but the practical result is what you are now stating, as far as I know.

1704. Can you tell me what is the primary object of collecting feints and returning them to the stills over and over again. Is that necessary for obtaining the flavour of the spirit in the succeeding cycle of operations?—I think the different distillations succeeding each other must be to get rid of things they do not want.

1705. You are not controlled largely by Excise regulations?—The Excise do not meddle with that part of the thing. Everything is under Excise lock and key, but they do not interfere with our processes of manufacturing in any way.

1706. Do these feints grow upon you during the season's work?—No.

1707. What is your explanation that they do not?—They never disappear. I believe at one time they used to go on distilling until they had no feints left, but now we carry feints No. 1 and feints No. 2 always; they never disappear.

1708. From season to season?—From season to season.

1709. You never run them off?—We never run them off.

1710. So that whatever waste products are run off, are run off with the wash?—With the spent wash in the first distillation.

1711. Have you any knowledge of the chemical changes these feints go through in this process?—No.

1712. During the redistillation?—No, I could not give you any exact evidence of that sort. As a matter of fact, in the distillery we have all one product, and we have tried to stereotype the processes which have been handed down to us that produce that product; and as regards the mash, and the chemistry and the science of malting and drying the corn and everything of that sort, we use the chemistry as much as we can, but as to the actual process of distilling, we would never depart from what has been handed down to us.

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1713. I can understand that, but would you let me suggest to you that, so far as the principle is concerned, there is no great difference in principle in the distillation process in the pot still and in the patent still. Is not it really a matter of degree?—You could not make whiskey in a patent still—I say you cannot make whiskey at all—but you could not make a thing with the well-known flavour of whiskey in a patent still.

1714. Are you quite sure of that?—Well.

1715. Has it ever been tried?—I am sure it would have been tried if they could have done it, because it is so much cheaper. I am quite certain in these years that have gone since 1831, if you could make a first-class pot still whiskey in a patent still by that process it would have been done long ago.

1716. May I suggest to you that the energies of the patent still distiller have been wholly occupied in producing a spirit which has got a ready market?—I did not quite catch that.

1717. The demand for the spirit which they have produced has been quite equal to the supply, and therefore the patent still distillers have not been called upon to go into any refinement. Do I make myself plain to you?—I see the point. But suppose we take it that there had been no pot stills, that there had never been pot still whiskey, and the first still that was invented was a Coffey still, and the world had been given whiskey from the Coffey still, and that had been called whiskey and there had been no pot still whiskey to mix with it or give it flavour, I do not think there would be much whiskey sold in the world.

1718. Let me put it in another way: Suppose the public taste had suddenly altered and a universal demand were made for pot still whiskey, do you think it would be beyond the reach of science to produce whiskey similar in flavour to the whiskey produced in the pot still from a patent still? Do you think that would be utterly beyond the reach of practical science?—I hardly like to express an opinion before scientific men as to what science could do, but I know for many years scientific men have been trying to show us how to improve our whiskey and cheapen our manufacture, but they have never been able to show us.

1719. You have not given them a great deal of encouragement to help you? You have not given them so much encouragement as the brewers have in recent years?—No, perhaps we are prejudiced. I daresay we are, but I think the patent still people who are now getting 1s. or 1s. 6d. a gallon, if they could have produced a stuff which would have given them 5s. a gallon without buying it from a pot still distillery, would have done it long ago.

1720. You may be quite right, but what I want to lead up to is this: Do you think, having regard to the possibilities of scientific improvement, that your definition of whiskey really would be a protective one now; that is to say, if the patent still distillers were pushed and did produce an article exactly similar in flavour to the pot still whiskey, and a spirit equal in quality—if they did that, would you be protected?—Supposing they did, what harm would it do to anybody as long as they stated what people were getting?

1721. It seemed to me that then they could undersell you?—They are doing it very largely at this minute.

1722. They are not producing the same spirit?—Our contention is that a bottle is put down called "Irish Whiskey" and half of it is patent still stuff produced at 1s. a gallon; and we say it should be Irish pot still whiskey produced at 3s. or 4s. a gallon.

1723. That is the present state of things?—Yes, the underselling is going on.

1724. I take it your firm have no difficulty whatever in selling the seven-year-old and upwards whiskey which you produce. It is a coveted article in the trade?—I would rather not answer that sort of question. That is dealing with it from a trade point of view, which I do not think it is fair for me to say anything about.

1725. Perhaps you will forgive me asking it?—I would rather keep away from meddling with trade reputations and things of that sort personally.

1726. Your definition is a protective one, and in the present state of our knowledge I wanted to ask you whether you had considered where you would be if any great improvement occurred in the process of producing patent still spirit, so that the use of a patent still could produce highly-flavoured whiskey?—If the patent still spirit, which had to be sold to the public as patent still spirit, enormously improved in quality, and came to be equal to the quality of pot still spirit, I think the public would have gained very largely, and we would only have to take care of ourselves.

1727. I would like to ask you one or two questions to get to closer quarters as to the differentiation between patent still spirit and silent spirit; you do not regard those as synonymous terms yourself?—Very nearly. I think on the silence of patent still spirit depends its value.

1728. Have you seen any analyses of patent still spirit? There are some published?—Yes, I have seen analyses of them.

1729. Have you those in your mind?—I have to a certain extent; but I am not sufficient of a chemist to carry the proportions in my head; but what my recollection goes back to is that there are certain so-called impurities which appear more or less in the patent still spirit, but there is a very much less proportion of them than in the pot still spirits.

1730. As to these bye-products, we have been told by a former witness that there are patent still spirits to be got in the market which contain nearly as much secondary products as the pot still: What would you say about those?—I would like to know the man who made them.

1731. We were told that Cambus was one, I think, as far as I remember?—I would like to see the Cambus distiller produced, and have his statement of it. I would not like to talk about another distiller, really.

1732. Would you accept from me that I have myself examined patent still spirits, the origin of which I could detect?—Yes.

1733. That is a very different thing from silent spirit; as to silent spirit, no chemist would pretend to state its origin?—I am sure from the size of the process that it is not—the bye-products are there to a certain extent.

1734. As to such patent spirits as I refer to, it would not be fair to call them silent spirits?—I daresay you are right. I am quite certain that you are talking from knowledge, and, as I have said, I have not sufficient knowledge, and I would not like to give evidence upon such a point.

1735. You will forgive me putting such a question, but it is very important that we should get clear ideas on these different terms?—Certainly.

1736. There is one last question I should like to ask you. Have you heard any objection on the part of the general consumer against what I would call less matured pot still spirits?—I have, undoubtedly.

1737. Do you think it would be legitimate to render this more to the taste of the general consumer by adding mixture with patent still spirit?—I think it would be much better for the general consumer if you made the pot still distiller keep them until they were fit to drink, instead of mixing them with patent spirit so as to sell them a bit too early.

1738. Would he necessarily have to pay a higher price?—He would, of course. Well, as far as the ordinary consumer is concerned, I do not think he would have to pay a higher price. The man who consumes the stuff would get a better value, but I do not think he would pay a farthing more.

1739. You mean to say the man who asks for a glass of whiskey at a public-house pays a price which would make him expect to get properly matured pot still whiskey?—That is my belief.

1740. (*Mr. J. Y. Buchanan.*) I only want to ask you one or two questions as we have already heard a good deal of what I had noted down. Patent still whiskey is, you admit, more nearly pure alcohol than the pot still?—I believe so.

1741. That contains, therefore, very much less of the secondary products?—That is my belief.

1742. It is the secondary products which, in your opinion, give the peculiar flavour, and the peculiar taste, to the Irish whiskey?—That is my belief.

1743. And they are capable of improvement from the flavour point of view by keeping?—Yes.

1744. That is the reason you think that Irish whiskey ought not be drunk before it is 7 or 8 years old?—7 or 8 is rather too many.

1745. At any rate, a number of years?—Some years.

1746. Say 5 or 6?—Yes.

1747. Whereas the patent still whiskey, having so very small an amount of these secondary products, can be matured in a much shorter time; so that the patent still whiskey, so far as health is concerned, would be drinkable in a much shorter time than the pot still whiskey. Do you think that?—I would not like to be taken as giving that opinion. I do not think that any spirit can be as good new as if it is kept for some time.

1748. You do not advance the opinion that alcohol—that is to say, ethylic alcohol, is altered in any way by keeping? It is only these so-called secondary products, which are usually very well defined?—Yes.

1749. Are what you call the "products" due more or less to the burning of the spirit?—Yes.

1750. It is they that require the mellowing by maturing?—Yes, that is my belief.

1751. I think it is a legitimate conclusion that, where there is less of them, then what is deleterious in those is got rid of quicker, and therefore the patent still whiskey could not be objected to on the ground of injuriousness?—I should hardly like to give an opinion on that subject. I see your line of reasoning, and as far as it goes I have no doubt you are right, but whether or not new patent still is good for the public health is a thing I would not like to give an opinion about.

1752. In the various pot still distilleries is there a great difference in the amount of what one may call these burnt products in different whiskies of real pot still?—In any analyses that I have seen there has not been a very great deal of difference, but then, talking as a chemist, I should say, of course, that there is a difference, because the quantity you are dealing with is so very small that any little difference amounts to a good deal.

1753. Might not palatable whiskey be produced by a patent still and kept a short time, and more highly burnt pot still whiskey of a similar amount be added so as to bring the composition of the spirit up to the same thing, and be produced in a shorter time, and therefore at a lower price?—It depends. Of course, it would be palatable, but it would be very much more flavourless.

1754. I mean if it had a higher burnt product it would have more the qualities of the pot still produced in it?—The patent still has no burning.

1755. I mean using the patent still to dilute, and diluting the pot still, if I may say so?—Yes. There is no doubt that pot still can be made drinkable by the use of patent.

1756. In that case, you would produce a spirit which would have the same amount of alcohol from the patent still, and the flavour from the pot still, which would have less of the pot still material to mature, and therefore could be matured in a shorter time?—That is what is going on.

1757. Therefore, you get a perfectly wholesome article for a less price by the use of the patent still?—Unfortunately, the consumer pays the same price. It is only the people who handle it on the way to the man who eventually pays for it who make the money.

1758. My point is that your pot still is really a mixture of the pure article and the burnt products. Could not you make it by producing a pure alcohol by the patent still and the burnt products by burning your pot still whiskey rather more, so as to give a blend, and then the public would have a perfectly wholesome whiskey, but would pay less for it?—I do not think the public would pay a bit less for it. I cannot get over that point because the difference in the cost of the production could not be so great as to enable the price on the bottle and the glass to be brought down.

1759. You think not?—I think not.

1760. (*Chairman.*) The middle-man will get something more?—The middle-man would get something more, but as to the consumer—I was really trying to bring it to that point—I do not think any such saving could be effected in the way you suggest, or that anybody would pay less for a glass of whiskey.

1761. (*Mr. J. Y. Buchanan.*) There is only one point more, and that is perhaps a minor point. You say that, in making pot still whiskey, as you distil over the fire, you have to be very careful as to the character of the grain and of other materials which you use?—Yes.

1762. From using the fire any deficiency in the quality of the grain might make itself felt in the quality of the spirit?—Yes.

1763. In the patent still, where all the distillation is done by live steam, and therefore the temperature is always low, is it not the fact that you may use grain of an inferior quality and still not affect the spirit coming from it? I do not mean damaged, but of a quality that you for your pot still would reject?—Yes.

1764. Take, for instance, maize?—Maize is something like 30 per cent. cheaper, and besides has high extractive quality, and, of course, it would pay us tremendously if we could use maize. But we could not use it because it would give a flavour to the whiskey in our pot still which people would not like.

1765. But using it in the patent still it might not give any special flavour?—My belief is that in the patent still they get the same product from a mash made with maize as from a mash made with barley.

1766. So far as the alcohol is concerned in whiskey it would be immaterial if it were produced in the Coffey still or in the pot still—the real alcohol?—As to alcohol, certainly the pot still, if it were not for the bye-products, would be the most expensive way of making alcohol.

1767. Therefore the customer who looks mainly to the intoxicating value of his whiskey should not complain if it is produced from a patent still?—I would not like to discuss the science of intoxication.

The witness withdrew.

Adjourned for a short time.

Mr. James Talbot Power, called.

1768. (*Dr. Horace T. Brown.*) You reside at Leopardstown Park, County Dublin?—Yes.

1769. You are a Deputy-Lieutenant?—Yes.

1770. You are also Chairman and principal proprietor of Sir John Power and Sons, Limited?—Yes.

1771. Their distillery is at John's Lane, Dublin?—Yes.

1772. You have had, I think, a large experience in distilling whiskey, and have taken a very active part in the management of the business, and especially in the distilling operations?—Yes.

1773. I believe the distillery has been in the hands of your family for a great number of years?—Yes.

1774. For 117 years, I believe?—Yes; since 1791.

1775. During that time you have only produced one kind of whiskey, namely, that from the pot still?—Yes.

1776. Of which malted barley is the chief ingredient, and unmalted barley, with smaller proportions of native oats, wheat, and rye—that is to say, cereals which are indigenous to Ireland?—Yes; that grow in our district.

Mr. J. T. Power.

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1777. You think that the term "Irish whiskey" should be confined as a trade description to spirit distilled in Ireland by the pot still process, and from the materials which I have mentioned?—Yes.

1778. For the pot still work you require that those materials should be of the best quality?—It is very essential, and that they be sound.

1779. Otherwise your product will be injuriously affected?—It would, and carry over the flavour.

1780. You have used, I think, the same materials in your distillery in the production of Irish whiskey since its commencement?—Yes. I have here my own brewing book of 1872-3—my own actual work. I was a working brewer and working distiller for several years, commencing in 1871.

1781. During the whole of that time you have never used maize in your grist?—No.

1782. Is that on account of the flavour which would be introduced into your spirits?—Yes. It would not produce Irish whiskey.

1783. Then you regard the patent spirit made in a Coffey still as being altogether different spirit from that which can be produced in a pot still?—Absolutely different; a neutral spirit.

1784. Has that spirit any of the characteristics of whiskey according to your idea?—None whatever; and it would not be accepted by any Irishman as whiskey.

1785. You maintain, I believe, that the instructions to the Excise distinctly imply that pot still spirit is alone entitled to the name of whiskey?—The inference is drawn from that.

1786. From certain paragraphs of "The instructions for surveying distilleries and warehouses"?—Yes. Practically at the time that those instructions were framed there was no other spirit sold as whiskey except the standard Scotch and Irish.

1787. What is the date of those instructions? Can you give us any further details as to those instructions and how to obtain the inference from them on pages 117, 118, 123, and 124 of the Excise book?—Yes. You will find them in the Excise book if I may hand it to you. There have been several editions of the book brought out at various times.

1788. Would you briefly state how you draw that inference? Will you take the book of instructions in your hand and inform the Commission how you obtain that inference from it?—It is largely in this paragraph.

1789. That paragraph says this: "The objects sought to be obtained by Coffey's apparatus are rapid distillation and the production by one operation of a pure spirit"?—Yes, and not whiskey.

1790. Your inference is drawn mainly from that paragraph?—Yes, and the other paragraphs that bear upon it.

1791. What is the material principally used in the production of patent spirit?—Of course, in Germany it is potatoes, but in this country it is practically now confined to maize, I believe. It is the most productive and yields the most spirit of any grain.

1792. With that maize I suppose a certain proportion of malt has to be used?—Yes, for conversion; but that malt is not cured malt like ours for obtaining flavour. It is practically green malt with high diastatic property in it for conversion solely.

1793. Then you state in your *précis* that it would be folly to make patent spirit from high-class malt and native corn which is so much more expensive than maize?—That is my opinion.

1794. Irish pot still whiskey is made, is it not, by a succession of three separate distillations?—Yes, and by direct fire heat.

1795. You claim by that particular process that a distinct character and pure flavour is acquired?—Yes, and the aromas, the natural essentials of the grain, carried over.

1796. It is also your opinion that the patent distilling apparatus in which live steam is used eliminates all flavour and produces a silent spirit?—Yes, without the characteristics of whiskey.

1797. Has there been any change whatever in pot stills used in your distillery since you have known it or since you have known the history of it?—I can speak from 38 years of practical experience, and there has been no change whatever in our stills during that time, and as far as tradition and information which I have learned in our distillery go, our stills are practically the same as formerly. There has been no change whatever in the pot still.

1798. Since the foundation of your distillery in 1791?—So I am informed. We have had the same family of distillers for four generations—the Whitty family.

1799. You maintain that whiskey cannot be produced except in the pot still?—I am satisfied of that.

1800. Your pot stills are furnished, I believe, with a line arm and a return pipe to the still?—Yes.

1801. That is a very old appliance, is it not?—It was in operation when I joined the distillery 38 years ago, and as far as I can learn we have always had them.

1802. Will you give the Commission some information as to the wholesale price of your pot still spirit as compared with silent spirit or patent still spirit?—Our whiskey, when new, we sell at 4s. a gallon.

1803. (*Chairman.*) You sell at that price?—We sell at 4s. a gallon.

1804. Wholesale?—All wholesale. New whiskey, 25 per cent. over proof. Patent still spirit I have known sell for 10½d. to 1s., but 1s. 4d. perhaps is the usual price.

1805. (*Dr. Horace T. Brown.*) You regard the practice of selling patent spirit as whiskey, when there is a small addition of pot still whiskey to it to give it a taste, as a distinct and modern fraud?—It has been a gradual growth; it has come on gradually; but every day more and more appears to be added to whiskey, and it is palmed off upon the public, and is, in my opinion, a definite fraud.

1806. (*Chairman.*) You do not jib at that word "fraud" at all?—No, my lord. I think it is a definite fraud to palm off an article which is not whiskey as whiskey.

1807. (*Dr. Horace T. Brown.*) What do you expect the man in the street to expect when he asks for whiskey?—I think he would break my head if I gave him a silent spirit instead of pot still whiskey, but in Ireland—and I know Ireland very well—I am satisfied that every Irishman believes when he asks for whiskey, although he may not say "Irish whiskey," but when he asks for whiskey meaning Irish whiskey, he means to get the product of the pot still—whiskey made from the cereals that grow in Ireland. There is practically no Scotch whiskey sold in Ireland except in the cities. Commercially, all the whiskey sold in Ireland is Irish whiskey.

1808. In your opinion, that which is genuine pot still whiskey has been made from time immemorial from the same materials and by exactly the same process of distillation?—Yes, and the pot still.

1809. And in your opinion no other product is entitled to the term "Whiskey"?—That is my belief and opinion.

1810. Your present object, I suppose, is not to restrict the trade in patent spirit, but to ask that the trade should be conducted openly and in such a manner as shall not be to the detriment of the long established pot still whiskey industry?—Yes. I hold that it has been conducted by stealth in the past. No silent spirit is ever sold in the wholesale trade except as silent spirit or grain spirit—never. It is only when it comes to the consumer that it is palmed off as whiskey.

1811. Then you think the public requires protection in this respect?—I do.

1812. If a man prefers a mixture of pot still whiskey and patent spirit you would not prevent him from getting it?—Certainly not, if he knew what he was getting.

1813. You think the Revenue regulations at the present moment fail to protect the whiskey distiller and the public?—I do. I think they should be very much helped. I have urged that very often at Somerset House. I think they could do it by regulations. I think it cruel the many things that are permitted to be done under the present Excise regulations.

1814. Then you think that they should stop this so-called fraud?—Yes, so that the public should know what they are getting. I should like to say that the Inland Revenue have always sheltered themselves by or narrowed their duty solely to the collection of revenue.

1815. You think they ought to go beyond that?—I think they ought to see "fair play."

1816. You state that it is not only possible, but that it is a common practice under the existing regulations to send from a bonded warehouse to any other warehouse casks of patent spirit, blending them in bond with a little pot still whiskey?—It is a growing and increasing trade.

1817. And that casks of this are consigned to England with an Irish Revenue permit and sold in England as Irish whiskey?—Yes.

1818. You can of course substantiate that?—Certainly, it is an every-day occurrence. I have seen the invoices.

1819. Can you tell us what goes on in bonded warehouses, which are under the Excise supervision, with regard to the labelling of spirits?—I think the greatest misrepresentation results from those warehouses labelling. The Excise pay no attention to what labels go on the bottle provided there is not the single fact, which is true, that it was bottled in bond. They object to that, but they do not exercise any supervision over any age or any description which may be upon the label, but they object to the fact "bottled in bond." Here I may say that in our foreign trade we suffer, I think, a very great hardship by not getting Excise certificates stating what we export. It is required now by the foreign Governments, by America, Australia, New Zealand, South Africa and others.

1820. (*Mr. Guillemard.*) What is required by them—an Excise permit?—A certificate.

1821. No foreign Government, I think, actually demands an Excise certificate?—A certificate is required, and my point is that it is a very serious hardship on us manufacturers of a pure pot still whiskey that we cannot get an Excise certificate, especially about the age, all of which matter the Excise have in their books. I may say in reference to this that one of the officers did issue such a certificate on a sheet of paper as an Inland Revenue officer, and he was hauled up. One of the Inland Revenue officials did give us, at my request, such a certificate about the age of the whiskey, and he was hauled up by Somerset House for so doing. It was perfectly true.

1822. I remember the occurrence?—They required it in Melbourne.

1823. They require a certificate in Melbourne?—Yes. We thought it a very great hardship, for it was simply what was on the cask. It certainly is not helping British trade abroad.

1824. (*Dr. Horace T. Brown.*) It is your belief that in the interests of the public health and in the interests of legitimate trade certain restrictions should be placed upon the materials and processes which may be used in the manufacture of Irish Whiskey?—Yes.

1825. Or any spirit to which the term "Whiskey" may be applied as a trade description?—Yes.

1826. Will you give us some statement as to what you consider those restrictions should be?—A correct trade description. I consider that Irish whiskey should be called "Irish Whiskey," and that Scotch whiskey should be called "Scotch Whiskey"—"Irish Whiskey blended with grain spirit," or "Scotch Whiskey blended with grain spirit," or "grain spirit" by itself, and that every cask or bottle, or other receptacle should carry out that trade description. I think there would be no trouble, inasmuch as the Inland Revenue officers have the right to and do follow every cask that goes to a licensed trader. They have a right to search his premises and to follow the whiskey into his premises, to examine his books and to see that what he receives is duly entered in his stock book, and I think very little more would enable them to have full control of what was going on and what labels were going on. They have the machinery and they exercise it.

1827. Will you give us some further idea of what restrictions you think ought to be imposed with regard to the materials used in Irish whiskey?—I should like to limit them to cereals indigenous to Ireland; that is to say, cereals that ripen in our country.

1828. You would exclude maize?—Definitely, it is not grown and it would not ripen as a crop in our country.

1829. Are there any other restrictions that you would impose as regards the materials?—We like to buy everything that the tillage farmer has to sell us in the shape of grain.

1830. Then with regard to your suggestions as to maturing in bond?—I concur with Mr. Jameson that it would be very desirable to give to the public a matured article, and I quite concur in his limitation of three years.

1831. Would you apply that to all spirits?—I would. I think it would be "fair play."

1832. To the patent still as well as to the pot still?—Yes, in fair play, although I do not myself believe there is much, if anything at all, in the patent spirit to mature. Of course it will mellow and soften with the effect of the cask.

1833. Would you recommend that restrictions should be placed upon patent still spirit with regard to bonding, of a similar nature to those of pot still, although one spirit would mature rapidly while the other would not?—I am for unity of administration, and I think certainly it would not be fair to give any advantage to the patent spirit over whiskey.

1834. If you have two articles of the same nature one of which will mature more rapidly than the other, is it fair to impose upon one a limitation as to bonding which is based upon the requirements of the other?—It would soften, it would improve, it would mellow, and it would make it in my opinion less objectionable.

1835. But your main idea is, I think, that they should both start fair?—Yes, I think they should.

1836. Apart altogether from any changes which take place in their quality during the storing?—We all ripen and mellow and mature by age.

1837. You are I believe a practical distiller?—I am a working distiller. I was asked whether I was a practical distiller at one of the previous inquiries but it was following a question about amyl alcohol, and I thought when I was asked that it was meant with regard to chemistry, and I said that I was not a practical distiller and that I could only pose as a working distiller, which I have been for several years, and a brewer.

1838. The Commission is very desirous of getting some positive information about the relative cost of the production of patent still spirit and pot still spirit. I have no doubt that you will be able to give us some information on those points. In the first place I would like to ask whether you quite agree with what Mr. Bramall said the other day that Irish whiskey is distilled from at least 50 per cent. of barley malt?—That is our practice. I think he was giving you our figures.

1839. Are there not many Irish pot distillers who use much less than that?—There are.

1840. Can you give us an idea as to what is the average amount of malt used by the Irish distillers?—I should think about 45 per cent. to 50 per cent.

1841. Would you be inclined to take certain statements in this book of Nettleton's on the manufacture of spirit with regard to the composition of the grist of Irish distillers?—I have read them. Of course that is all some time ago.

1842. This book I have was published in 1893?—The quantities I think refer to the past. There is a considerable variation there, you will observe, because different distillers sell at different prices, and they have to cut their coat according to their cloth.

1843. He gives six examples of mash and materials used in Irish pot still distilleries, and I should like to ask you a few questions about this. First of all, I will read them out. The first one is all malt, No. 2 is 30 per cent. of malt, 40 per cent. of barley, and 30 per cent. of oats, No. 3 is 33 per cent. of malt, 47 per cent. of barley, and 20 per cent. of oats, No. 4 is 80 per cent. of malt and 20 per cent. of mixed

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grain, No. 5 is 25 per cent. of malt, 65 per cent. of barley, and 10 per cent. of oats, No. 6 is 20 per cent. of malt?—That is very low.

1844. And 65 per cent. of barley, 10 per cent. of oats, with 5 per cent. of rye?—I think that is a bad distillery.

1845. The average amount of malt in all these six is 48 per cent.—very nearly the amount you say you use yourself?—Yes.

1846. Will you tell me whether you consider those at all representative of ordinary Irish practice?—I think so, but you must admit there is a very considerable difference in malts and the relative values of malts for converting purposes.

1847. But you think those are fairly representative of Irish practice?—Yes, I think so.

1848. We have been told that no Irish distiller used less than 50 per cent. of malt?—That is untrue. There are country distillers who make a very sound, good whiskey, but who do not get Dublin prices for it.

1849. One of the objections which have been raised, and I think it was raised by yourself, to the patent still product is, that, owing in part to the cheaper material used, it could be put on the market at a much less price than pot still whiskey. I am not speaking of working cost, but merely the cost of materials?—I have known it sold at 10½d.

1850. May we take it that when materials are at an average price, which they are not, I believe, this year——?—Barley has been excessively dear this year, I am happy to say, and the farmers have got a good price for it.

1851. In average years may we take it that patent still spirit at proof is about 1s. 3d. per gallon, and the price for pot still spirit is 3s. 6d. per gallon?—Yes, roughly.

1852. It would be of very great interest to us to know how much of this difference of 2s. 3d. per gallon is due to the prime cost of the materials used in an Irish pot still and patent still respectively?—I think the plain and commercial answer to that is that you cannot buy them cheaper, so that they must buy very close on the cost.

1853. You have a difference here of 2s. 3d. per gallon, and we would like to know approximately how much of that 2s. 3d. is due to the difference in cost of materials employed in the two machines?—And the processes?

1854. No, I am taking only materials?—No, no. You see, the process of pot still distilling in Ireland —three distinct boilings—is very costly. There is the coal.

1855. I am speaking merely of the cost of materials of a mash made for the patent still, say with 25 per cent. of malt and 75 per cent. of maize, against the cost of materials used in Irish pot still whiskey, where we will say there is 33 per cent. of malt, 47 per cent. of barley, and 20 per cent. of oats used?—I am sure we can call witnesses to give you that information; but as I personally have no knowledge whatever of the cost of the maize mash I could not answer the question.

1856. Do you not think we could come to something like an understanding on that?—I am afraid I cannot help you.

1857. If we know the composition of the grist—I am speaking to you as a practical distiller—and the prime cost of each of the constituents per cwt., and the average yield of proof spirit for a cwt. of each of these materials, we can surely arrive at some conclusion as to this particular point?—No. You see the pot still process is a very wasteful one, and in each of our three boilings there is very great waste.

1858. Can we come to some idea from the price of malt, barley, oats and maize? Take barley at 30s. per quarter. I think you reckon by the Irish barrel. That would be 15s. a barrel?—Yes.

1859. Is that a tolerably fair price to take?—It would be low for this year; 16s. 3d. was the Dublin price this year.

1860. In an ordinary year 30s. would be rather high, would it not?—The full price in an ordinary year.

1861. 28s. would be high?—No, not in Dublin.

1862. 30s.?—Yes, 30s.

1863. That is for four cwts., so that the price per cwt. would work out at 7s. 6d. exactly?—Yes.

1864. Can we come to some idea as to the price of malt? There I am going to take 336 lbs. to the quarter?—Eight bushels.

1865. That is 168 lbs., I think, to the barrel. Taking the price of barley at 30s., and the increase there would be in the malt as between the four cwts. and three, may we take 31s. a quarter as about a fair price for the malt?—Our malt in Dublin this year stands at 20s. 3d. for 12 stone.

1866. How much is that?—Say £1 a barrel—£1 a sack of 12 stone.

1867. That is 40s. a quarter?—Yes, this year.

1868. That is a very high price?—Yes; it is a very high price, but it is magnificent malt.

1869. That would be more than the average price paid by other distillers?—It is the Dublin price; it is Messrs. Guinness's price for their best malt this year.

1870. If you take barley at 30s. your malt is not going to cost you very much more than 31s. or 32s.?—I am afraid that is not the quality of malt we are using in Dublin.

1871. It is the quality of barley you are buying at 30s.?—Yes.

1872. The malt does not really matter very much because we are going ——?—There are great expenses in Dublin because nearly all the malt is made in the country and it has to be brought up to Dublin at a cost of nearly 1s. 6d. a barrel.

1873. There are times when you can buy malt at 31s. or 32s. a quarter, or 16s. a barrel?—We buy by the stone—by the Irish barrel. It is such a pity we have so many measures in our trade.

1874. Is 19s. a quarter for oats a fair price at 336 lbs. to the quarter? That was the current price of the market on Monday. May we take maize at 25s. 9d.?—I do not know anything about maize.

1875. That is the current price. Can you give us some idea of the yield of proof spirit from each of these materials per cwt.?—I cannot. That is the trouble we are in where we mix all our grain together. We have no experimental plant, and we cannot tell you what each thing produces. We are trying to get certain flavours, a certain quality, and we do not really know what each variety of grain by itself produces.

1876. Would you be prepared to take some views on that point from authorities on the subject?—I always bow to authorities.

1877. I do not know that they are all authorities?—Doctors differ.

1878. Mr. Tedder, who came to give evidence before the Commission, gave certain figures with regard to yield of spirit from malt which I find work out at almost exactly 5½ gallons per cwt.?—I think he said 16½ gallons per quarter.

1879. Yes, but taking malt at 336 lbs.?—I would adopt his figure.

1880. That was 5½ gallons per cwt. We have a higher figure from Mr. Molyneux, who made it about six, whereas Nettleton makes it about 5¾. Let us take the average of those three at 5·6?—We thought Mr. Tedder was practically right, speaking for the country.

1881. The average of those is 5·6 as against 5·5. Do you know what the yield of spirit is from barley?—I have never tested it solely.

1882. Will you take Nettleton's figure for that? He gives a series of averages, and the average is 5½ gallons per cwt., that is 112 lbs. of kiln-dried barley. For oats he gives 6¼ proof gallons per cwt., and for maize an average of 5½ proof gallons per cwt.?—I am surprised to hear that, because that is contrary to my information.

1883. You mean that the maize gives a higher average?—Yes. There are so many countries producing grain and the quality of maize from each country is so absolutely different.

1884. You would rather contest that figure of 5½ gallons?—I am sure the American maize will produce more than that.

1885. More than 5½ gallons per cwt?—So I am definitely informed.

1886. I should like to show you how those work out on two representative mashes. I am taking your Irish pot still mash, which you recognise as a fairly representative one, of 33 per cent. malt, 47 per cent. barley, and 20 per cent. of oats. That is a fairly representative mash I imagine?—Yes, it is low in malt. That would be very low.

1887. 47 per cent. of barley and 20 per cent. of oats?—According to our method of working, it is very low in malt and high in barley, and much the same in oats.

1888. Would 50 per cent. of malt, 40 per cent. of barley, and 10 per cent. of oats come nearer to your mark?—Yes, it would come nearer.

1889. I will give you the price per proof gallon as regards the materials only from that mash of 33 per cent. malt. I make out that the materials, taking those yields into consideration, per proof gallon would be 1s. 5¼d.—that is, the materials represented by the cost of a proof gallon would be 1s. 5¼d., and on a patent still mash consisting of 30 per cent. of malt and 70 per cent. of maize, the cost of materials per proof gallon would be 1s. 3¾d., showing a difference of 1½d. per proof gallon. As between the representative mash which you would use in your own pot still and a patent still mash consisting of 30 per cent. of malt and 70 per cent. of maize, the difference, as far as I can make out, is only 1½d.?—That may be so on those figures.

1890. So that the difference in the cost of materials is not so very great as between the ordinary patent still mash and the mash on fairly representative Irish lines of a pot distillery?—I am quite surprised to hear that, and I cannot accept it.

1891. I shall be very glad to give you the details of that to check. I hoped you would be able to give me some positive information on these points. I think they are correct.

1892. (*Dr. Adeney.*) Mr. Jameson told us that you claim as the chief characteristic of pot still whiskey that of flavour?—Flavour and aroma and sweetness—body.

1893. These flavours vary with different distilleries?—Yes, certainly, the waters affect them very materially.

1894. Even using the same water?—Yes, the method of distillation.

1895. The flavour of your whiskey is somewhat different from that of Mr. Jameson's?—Yes, absolutely different from John Jameson's.

1896. You try to reproduce your characteristic flavour yourself?—We try to adhere to our tradition.

1897. Can you tell me whether a chemical analysis shows that the spirits which you say, on tasting, are similar, are similar in chemical composition? Do you understand what I mean?—I do not catch the point.

1898. Does the judgment of the taster and the judgment that can be formed from a chemical analysis run side by side—do they run parallel?—Chemistry is very helpful, but I am afraid we have much more confidence at present in the taste—in the palate. We judge entirely as to the quality of our whiskey, when to turn it on or off, by tasting. We are producers of flavour, not of spirit.

1899. Would it surprise you, if I told you, as a chemist, that at least in the case of some spirits, brandies, for instance, the judgment which can be formed from chemical analyses of samples of a similar brand of brandy and that of the taster run very parallel together? Would it surprise you to hear that a similar state of things exists with regard to the composition of whiskey?—I can only assume that the analysis of brandy has been carried to a greater perfection than our present knowledge of the analysis of whiskey.

1900. So that you could not, in supporting a claim that a whiskey was or was not a genuine pot still spirit, base such upon any possible condition of uniformity of composition?—I do not think so; but it is always a help, of course.

1901-2. I notice that Mr. Jameson relied very much upon the flavour as being the great characteristic of Irish pot still whiskey. Is that the only characteristic that you could claim for it?—The flavour, aroma, sweetness, body and effect of it, the pleasure of it, the effect upon the drinker—the pleasure it gives.

1903. Do you not think it is a strong point in favour of the well-matured pot still whiskey that it is a spirit that the public has tested for generations and knows its effect by experience?—And that has not changed in character.

1904. Then in supporting well-matured Irish pot still whiskey you are really supporting spirit which has always been recognised as a genuine spirit, which has been tested by generations of the public by experience?—Yes, and accepted by them, and known by them.

1905. So that whatever may be subsequently found to be the effect physiologically of new spirits, you say you know something of the effect of older pot still spirits?—Yes.

1906. Your whiskey is put on the market both in bottle and in bulk?—Our chief trade is in bulk. We really commenced bottling for the foreign market where they would not take whiskey in bulk.

1907. Would you mind telling us the age that you regard as satisfactory for maturation?—Of course, we like to see our whiskey used, and it is very largely used, at seven years of age. That is what we like and desire most, but a considerable quantity of our whiskey is sold at five years.

1908. And not less than five?—Some is, but five years is very general for the better class public-houses. In Dublin I think they are all five years old.

1909. That you regard as a sound whiskey?—Yes, five years old; very good.

1910. And that is sold at a fair profit at the rate at which the patent still spirit is sold?—Yes, 4d. a glass. It is very good; fairly matured.

1911. You have heard, probably, the questions that I put to Mr. Jameson on the subject of the fractionation powers of the pot still?—Those we do not admit at all. Of course, a pot still by boiling three times purifies and improves whiskey, but that it fractionates we do not admit at all. It separates the good from the bad; that may be called fractionation, but we call it, like a cook, boiling and skimming off.

1912. What it is important for the Commission to know is what really are the principles underlying these two types of still?—Ours is the genuine and the other is the imitation.

1913. I would suggest to you that it might be quite possible to obtain the amount of fractionation which experience has shown to be necessary to produce a sound whiskey by a patent still specially constructed as by a pot still?—I am afraid I do not catch the point.

1914. The pot still is really very similar in principle to the patent still, but its construction has been especially adapted to produce just the exact amount of fractionation which experience has shown to be necessary for the production of a sound whiskey?—Pardon me; I cannot accept any similarity between the two stills. The patent still is a box of tricks.

1915. I do not mean from outward appearance?—Live steam is blown into the patent still and the alcohol driven off. Our process is to carry over the natural essentials of the grain whatever they be—to carry them over carefully and preserve them; the very best.

1916. Of course, you see the object of my remarks is not to discredit the pot still, but simply to make certain that a similar product could not be obtained from a patent still?—If it was, there would not be a single pot still distillery left in the land.

1917. (*Chairman.*) If what was?—If they were the same in any way the pot still distilleries would all be swept away. It is the fact that they cannot get on without the pot still whiskey, and that accounts for our existence to-day. That I hold to be the fraud.

1918. (*Dr. Cushny.*) Have you always used three stills in your distillery?—In all my time—38 years—and certainly as far as hearsay goes we have always had them on the premises. That is the common practice, I think, of the whole of the pot still distilleries in Ireland. They are everywhere.

1919. Not the illicit still. The original illicit still only used one?—But they used it three times.

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1920. Three times?—At least twice; the same still; they used it over again. I have seen them at it, with all apologies.

1921. When was the line arm used?—The line arms have been in our distillery all my time—that is 38 years—and they were there then. I am sure they have been in existence in Ireland as long as our stills have been of their present capacity. Our stills, especially in Dublin, are enormous vessels. Just imagine boiling 20,000 gallons of anything in a pot still. They are immense vessels, and with such big fires as we have under them there is an enormous mechanical uplift, and our line arms are simply to check whatever should not go up and cast it back. They are a very slight check; they are simply to check it and get your spirits to run steadier.

1922. Do you suppose that those line arms are 100 years old?—I have seen them in certain Highland distilleries battered and old looking, and how long they have been there I do not know.

1923. In your three or four different classifications of whiskey do you suppose anyone could determine with any degree of certainty between Irish whiskey blended with grain spirit, and Scotch whiskey blended with grain spirit? You could not do that by analysis?—If you tempt a chemist he will take your fee and say he can do it.

1924. Do you think he could?—That is hardly for me to say.

1925. (*Chairman.*) I understood you to say that the patent still producers do not apply the term "whiskey" to their product. Is that so?—In the wholesale trade to-day they do not.

1926. Are you speaking now of Ireland only or of Ireland and Scotland?—I am speaking of anywhere. I have seen the invoices in all the large London offices of England, and they always invoice it as "grain."

1927. Does your observation apply to the Scotch patent still distilleries as well as Irish?—I am certain that Scotch patent still distilleries invoice it as "grain." They are in the catalogues as "grain."

1928. And not "whiskey"?—I am certain they are not.

1929. They do not call it "grain whiskey"?—Not in the wholesale trade.

1930. Do they use the term "spirit"?—It is generally "pat." It is invoiced as "pat." There is no fraud in the wholesale trade—no misrepresentation.

1931. We will not use that term. I have in my hand a trade list of Trower and Sons, and there the word "whiskey" is used, and that is a patent still whiskey?—Is that a blend?

1932. I am now on Scotch entirely. You may be right as regards Ireland?—Is it Trower and Sons, of St. Mary-at-Hill?

1933. Yes?—They are, of course, distributors. That is a list going to the public.

1934. Does your evidence only apply to the distiller and do you mean that afterwards it does become "whiskey" in the trade?—That is where the fraud has been gradually creeping in if it be a fraud; that has been gradually selling as whiskey. Trower and Sons are very great friends of ours. They are some of the largest distributors in London.

1935. Your view is that as regards a distiller in Scotland, he does not apply the term "whiskey" to the patent still product?—Certainly, my Lord. There is no misrepresentation in the wholesale trade. All the wholesale men know exactly what they are buying. The price indicates it.

1936. How do you think the change takes place from "grain spirit" to the term "whiskey"? In whose hands does that occur?—When you come down to the retail trade.

1937. I want it a little more definitely. Is it when the spirit, that which is now called at this stage spirit, is in cask, or is it afterwards, when it is bottled?—No, the moment the blender gets hold of it. The blender is like a middleman between the spirit producer and the retailer. It is his business, and he has risen upon this misrepresentation.

1938. Do you continue that word "fraud," and apply it to that transaction? Suppose he blends a large quantity of pot still whiskey in the blend, should you then term it a fraud?—I call anything a fraud that is misrepresentation.

1939. That is a general observation which does not meet what I am putting to you. If your mixture is of a large proportion of pot still whiskey, is it a fraud to call that blend "whiskey"?—That is our contention.

1940. Where do you stop? Can you apply the term "whiskey" if the blend is 90 per cent. of pot still and 10 per cent. of patent?—Our contention is, anything which is not pot still is not whiskey.

1941. However great the blend may be of pot still?—That is our contention, but of course we are not unreasonable.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

FIFTH DAY,
Tuesday, 17th March, 1908.
At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. ALFRED GILBEY, called.

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1942. (*Chairman.*) You are a director of the firm, now a company, of Messrs. W. & A. Gilbey?—Yes

1943. How many years has your firm been in existence in its original capacity?—The firm originally commenced in 1857. I have been in the business since the year 1877. I have been a partner since 1880. It was then turned into a limited liability company, and I have been a director since then.

1944. What is that business?—Wine and spirit merchants.

1945. Wholesale, I suppose?—Wholesale, I think you may say.

1946. Do you sell large and small quantities of wines and spirits?—Yes. Principally our business is done through our agents all over the country.

1947. That is in wines and spirits?—Yes.

1948. Including, of course, whiskey?—Yes.

1949. You have said that your firm has agents all over the United Kingdom?—Yes, my lord.

1950. That is called the distributing business, is it not?—Yes.

1951. You are one of the managing directors and take a practical part in the business?—Yes.

1952. Will you give your attention now principally to whiskey? First of all, in what way do you distribute your whiskey? Is it in cask or bottle?—In bottle almost entirely.

1953. And, of course, the quantities vary?—Yes.

1954. What is the usual quantity?—The ordinary quart bottle. We sell it to our distributing agencies in quite small quantities.

1955. And in large quantities, too, I suppose?—Yes.

1956. Do you deal in that way both in Irish and Scotch whiskies?—Yes.

1957. As we were dealing with Irish whiskey yesterday, I will ask you first for your definition of Irish whiskey?—With regard to Irish whiskey our definition is that it is a spirit distilled in a pot still principally from malt, with certain amounts of unmalted grain, such as wheat, rye, oats, etc., to give it a flavour, and which gives it that characteristic which is known as Irish whiskey.

1958. Do you limit those other quantities of grain which may be mixed with that malt?—Yes, I think so. Irish distillers would not think of using maize, for instance.

1959. Is it grain that is indigenous to Ireland?—I think the Irish distillers confine themselves almost entirely to grain grown in Ireland.

1960. You have mentioned maize. Would you entirely excommunicate maize, and say that maize must not come into whiskey at all?—No.

1961. If maize in any substantial quantity were used, should you say that product ceased to be whiskey?—Yes, I should say so, and it would certainly give a distillate of pot still such an extremely pronounced flavour that it would not really be whiskey distilled in a pot still.

1962. But is the use of maize, whether used in a pot still or patent still, equally objected to by you?—Not in a patent still. I do not think that matters—I do not think it signifies.

1963. In the first place, have you ever been in the habit of selling any patent still whiskey, either Scotch or Irish?—We sell three brands of whiskey, which contain a certain quantity of grain spirit or grain whiskey in it, and we describe it on the labels. I have here bottles containing that with the labels on them as we describe it in our business.

1964. What is that whiskey as a fact, according to you, that you are now speaking of? Is it a patent still whiskey?—We call it simply "Provost" whiskey, or "Rothmore" whiskey; we do not call it Scotch whiskey; and then on the label we say that it is a blend of Highland malt whiskey and grain whiskey.

1965. Will you produce a sample of that?—Yes (*same produced*).

1966. This is a bottle labelled "Provost whiskey." What is "Provost"?—It is a name given to a blend of pot still whiskey, the produce of our own distillery, and patent still spirit. Then I have here several other samples (*same produced*). This one is a blended whiskey.

1967. In the first place, what is the blend?—It is a blend of pot still malt whiskey and grain.

1968. What are the materials?—We know the principal ingredient in patent still spirit is Indian corn—maize.

1969. What is the proportion of the two characteristics of spirit that are blended? How much is there of pot still whiskey?—It is about 60 per cent. of pot still, and 40 per cent. of grain, although we do not state it here.

1970. That is as it is made up by you and sold; but, of course, a purchaser would not know to what extent it was made up of pot still and grain?—No.

1971. Then the next sample you have produced is "Rothmore" whiskey. Is that a fancy name?—Yes.

1972. Again, you do not trace the extent of the grain in that?—No.

(The Witness produced and described various samples to the Commissioners.)

1973. Of these samples that you have given us, two were blends?—Yes, my lord.

1974. On one of them your label says: "Of the blend Rothmore whiskey." Is that right?—Yes.

1975. Why?—We did not feel, in the face of the judgment that had been delivered before, that we could call it Scotch whiskey, and therefore we call it "Rothmore" whiskey.

1976. What judgment are you referring to? The judgment in the Islington case?—Yes.

1977. Another one you call "whiskey"?—Yes.

1978. Why did not you call it "Glenlivet" whiskey?—That would be wrong, because it does not all come from Glenlivet.

1979. But if it did?—Yes, but then that would be only a proportion. We should not call anything Glenlivet if the entire quantity did not come from Glenlivet.

1980. But if you had brought it from Glenlivet?—You would call it Glenlivet.

1981. There is no such place as Rothmore?—No.

1982. If a person went into a retail shop and said, "I want a glass of whiskey," would it be correct to give him a glass of Rothmore whiskey?—As a matter of fact all our business is done in sealed vessels through agents. I think the customer would ask for "Rothmore" or "Provost" whiskey if he went into a shop.

1983. Putting it hypothetically, supposing a man who knows not very much about whiskey goes into a public-house and says, "I want a glass of whiskey," and the licensed victualler had been dealing with you, would he, according to your view, be justified in giving the customer a glass of Rothmore whiskey?—I think if he only asked for whiskey, certainly.

1984. Because it is whiskey?—It is whiskey. I do not say it is Scotch whiskey, and it would have been a different thing if he had asked for "Scotch whiskey."

1985. As it is made in Scotland?—Yes.

1986. Is it your case, then, that "Scotch whiskey" must be a pure unblended pot whiskey distillate?—We have always acted on the principle that all Scotch whiskey we sell as "Scotch whiskey" is distilled in a pot still from malt.

1987. That is rather an arbitrary nomenclature or baptismal name. If it is made in Scotland with all Scotch ingredients because it is blended it does not cease to make it whiskey. If you give it the name of "Scotch whiskey" it is rather an arbitrary christening?—That is the line we have always taken. We have never considered in the business—long before I joined it—that grain spirit was Scotch whiskey, and therefore we did not feel justified in using the name when putting it on the label.

1988. You found the tradition and therefore you carried it on?—Yes.

1989. I do not know whether you know enough of the composition of these whiskies, but as regards patent whiskey, as you say, it may be made with a very large proportion of Indian maize?—Yes.

1990. Should you have any hesitation in saying, if you were asked, that you positively declined to call patent still spirit Scotch whiskey?—Not the slightest.

1991. It is not deleterious in any way?—No; it is not deleterious in any way; it is only that it is cheaper.

1992. Where is the difference that is so marked? We have heard of flavour and strength. According to you are those the differences that exist?—Yes. Of course, pot still whiskey has a very full flavour, and it gets the flavour from the materials from which it is distilled, whereas the grain spirit is a neutral spirit.

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1993. Is there bouquet as well as flavour?—Yes; there is a strong bouquet.

1994. That is absent in the patent still?—Yes, that is quite deficient in the patent still.

1995. Now as to the alcoholic strength. Which do you say is the better for the customer to drink?—I think from this point of view that if a man is drinking pot still whiskey it will take much more dilution with water than grain spirit will. If it is pure pot still, for instance, a small quantity will flavour a whole glass, whilst if you are drinking patent still you would drink it much stronger, and you would take more alcohol necessarily when you drink patent still spirit.

1996. As I understand, the person drinking does not receive the same amount of stimulant, as it were, from the one as the other. There is more real strength in the pot still?—There is more flavour—not more strength.

1997. You take the view that it is not strength but only flavour?—There is no doubt about it that they are both retailed over the counter at the same strength. It is simply a question of flavour, and the pot still having more flavour will take more dilution with water.

1998. Could you give me any general rule as to how far you do in practice communicate information as to the article sold to your different customers?—Yes. I have here some price lists. These are price lists of ours which we distribute. (*Handed to the Commissioners.*)

1999. I see in this list with regard to Rothmore you give a guarantee. What is it that you guarantee?—We guarantee that the article is what we say it is.

2000. Then taking Rothmore whiskey, the guarantee that it is Rothmore whiskey is not much?—But it is guaranteed to be a special blend.

2001. You guarantee that it is that blend?—Yes, we guarantee it is that blend.

2002. These papers that you have handed us you send to your agents?—Yes; we send those to our agents. These are our circular price lists. (*Handed to the Commissioners.*)

2003. I will take your price lists first, which vary, of course, a good deal. You have the prices per bottle and I will take those first. You start with 1s. 9d. and run as high as 5s. The first one you head "Pure malt pot still," and then they vary according to the proof strength?—Yes.

2004. Then you have "Choice old Highland whiskey"?—Yes; that is all distilled in the Highlands. The whiskey distilled in the Highlands is pot still, and is better than that of the Lowlands.

2005. What is it that makes it better?—It is principally the water, I think. I do not know how it is, but there is no doubt that the whiskey distilled in the Highlands is better than that distilled in the Lowlands.

2006. The price of the blended whiskies seems to be about the same price. Rothmore blend is the highest?—That is because it is a blend of very old whiskies.

2007. Taking all things to be equal, proof strength, age and everything else, what would be the difference between a blend, say, of 60 per cent. of pot still with 40 per cent. of patent, compared with pure pot still?—Of course, the value of patent still is about half that of the pot still. I have the prices. There was recently some sold by auction which will give you a very good idea.

2008. When you say it can be obtained at half the price, that does not occur if the ingredients are the same?—I do not think they would ever use malt in a patent still because it is not necessary.

2009. Is not your evidence this, that taking the manufacture of patent still, as largely manufactured, you would get the comparison of prices you mentioned?—Yes. Of course, the patent still is a continuous process, and it is much cheaper.

2010. It does include the alteration in the material? You do not get as much maize in pot still as you do in patent still?—No.

2011. Surely that is one of the reasons of the lowering of the comparative prices?—Yes. Of course, the continuous process makes it cheaper.

2012. Is there any alteration that you could suggest with regard to the safety of the public that could be made in giving more information to the public of what it is that the public consumes than is given at the present time?—I do not feel myself qualified to say what should be done. I have only come here to tell you what we do.

2013. Having got you here we want to make the most of you. You have more practical experience than we have?—I think that a declaration should be required to be made as to the materials, the processes of manufacture, or preparation, and I cannot foresee any difficulty in making such declarations as to the materials used in whiskey, and as to whether it is pot or patent still.

2014. Would you say that in Ireland an ordinary consumer would know a great deal about the character of the different whiskey, and would know whether to ask for Jameson, Power, or Dunville? Does that occur in ordinary trade in Ireland?—It certainly is the case in Dublin, and certainly is the case in Ireland; but in Scotland it is rather different. In very few cases is Scotch whiskey sold from the distillery to the trade as it is in Ireland. In Scotland, for instance, there is a body of gentlemen called blenders. They buy the whiskey and blend it, and they afterwards sell to the trade here under various blends. In very few cases does Scotch whiskey reach the public as the produce of any particular distillery.

2015. Does that apply to districts: take Glenlivet or Speyside?—Yes.

2016. In Scotland do they ask for any particular district's name of whiskey?—Each particular district usually drinks the whiskey of the district.

2017. It is very delicate ground for you, but how would you deal with it if you were required to describe the article sold? How would you deal from your point of view with the question of blending? Could you go to the extent of saying what was the amount of blend of the two classes?—No. I think where any grain spirit is used it is enough to state the fact on the label, but as to the proportions I think it would be very difficult to prove.

2018. It is not a question of proof but of declaration. The difference between a blend of 90 per cent. and 10 per cent., and a blend of 50 per cent. and 50 per cent. is enormous?—Yes.

2019. Would it be possible to disclose in the course of sale to what extent the different ingredients had gone into the blend?—My firm would have no objection to do it. I do not know what other people would feel.

2020. (*Mr. Guillemard.*) If that was done, how do you think it could actually be checked to see that the article corresponded to the declaration?—That is the difficulty. That could only be done by chemical analysis, and whether a chemist could check that is a matter that I could not give any opinion upon.

2021. You have not any opinion as to whether it would be practicable?—I can offer no opinion as to whether it is practicable.

2022. Would the same thing apply with regard to declarations as to materials, processes of manufacture, or proportions?—I think that could be checked by the Inland Revenue.

2023. I am rather doubtful about that. You could check it to a point, but there must be evil in every trade—people who are unscrupulous. What declaration could cope with them?—I do not think there would be difficulty, because as a matter of fact in Scotland no one would use anything but barley malt in a pot still. There are only about a dozen grain distilleries, whereas there are 140 pot still distilleries.

2024. How definite would you make your declaration as to materials? Would you make any distinction between the different forms of malted grain?—No; I do not see any necessity for doing that.

2025. In contrast to that, a great many other people have told us that you cannot make with maize, as with malted grain, a product that could be sold as whiskey. We have had a good many people come and say they take the line that under no conditions should the product of maize be sold as whiskey. You do not agree with that?—I do not think one can go quite so far as that. I think between Scotch and Irish whiskey there ought to be drawn a distinction.

2026. Then with regard to the use of maize in a pot still, I think you threw doubt on the idea that maize was ever used in a pot still?—I never heard of it being used in Scotland, and it would give, I suppose, some flavour which was not Scotch.

2027. I do not limit it to Scotland?—I do not know what they use abroad, but I have never heard of maize being used in a pot still.

2028. Not in Ireland?—No, nor in Scotland.

2029. I do not know whether it has been given in evidence that maize was used in a pot still in Scotland?

(*Dr. Horace T. Brown.*) Yes, it has been given in evidence.—We have three distilleries, and we have never used anything but malt. We should be very sorry to use maize. It is the first I have ever heard of maize being used in a pot still.

2030. (*Mr. Guillemard.*) If you are interested you will find it mentioned in the first day's evidence. Then with regard to the blends. You would like what you call the average age put on the label?—Yes.

2031. What would you call the average age of a blend? Start with two things mixed, one of ten years and one of five years, and the proportions half and half?—That would be rather difficult, I must admit.

2032. Would not that be always universally the case?—If some of the whiskey was ten years old, say, half of it ten, and half five, it should be called seven years.

2033. But would you get two whiskies half and half?—I think you could get it very near.

2034. There are a great many blends that have quite a number of whiskies put in them, and it is a trade secret what the proportions are. Would not you get into difficulty very soon?—It might be attended with some difficulty.

2035. Do you think you could really put on the bottle a declaration of what the average age of a blend was that would correspond with facts and could be tested?—We could do it, I am sure.

2036. Yes, because you only blend a few things in certain proportions, but I am trying to learn from you as to the trade taken as a whole?—You might get that from other witnesses. I do not think Gilbey's would have any difficulty about it, although we do blend a variety of malt whiskies.

2037. Now, I want to ask you a question as to maturing in bond. Are you in favour of keeping all whiskies, including blended whiskies, in bond for a period?—Yes.

2038. How long would you say?—Certainly three years.

2039. What would be the object of that from your point of view?—There is no doubt that whiskey does improve by age.

2040. Using the term "whiskey" as meaning all whiskey?—I mean that malt whiskey certainly does improve by age, and malt whiskey to a very much larger extent than grain.

2041. You would hold that both spirits, the pot still whiskey and the patent still whiskey, both improve by keeping?—Yes, but I think the patent still whiskey only improves to a very small extent.

2042. If I am right, I think that is the conclusion that was arrived at by the Select Committee of 1890-91 that they both improve by keeping, but that the patent still spirit improved to a very slight extent, and the pot still spirit to a greater extent?—I think the grain spirit softens to a certain extent. Of course, there is not anything in that spirit to improve like there is in malt whiskey.

2043. I see in your evidence you say that the result of the patent still distillation is to produce a neutral spirit. Do you want to press that as a definite opinion that it is neutral or silent, or do you only mean that it has less of the bye-products than the pot still?—I think it is almost neutral.

2044. Almost pure alcohol?—Yes; I could send you samples if you would like.

2045. Speaking of patent still spirit generally, do you think it a fair description to call it a neutral spirit?—Certainly.

2046. There is a good deal of patent still spirit drunk, is there not, with no admixture of pot still at all?—I have never heard of it being drunk in this country without a little flavouring. The only gentleman that I heard say he drank it was Sir James Dewar.

2047. What about Cambus? Is not that all patent spirit?—I believe it is, but Sir James Dewar was the only person I ever heard of who said that he drank it. I heard him say that in Court.

2048. And there was Mr. Walter, K.C.?—Yes, and Mr. Walter. We have never been asked for any in our business. We have distributing agencies all over the country. Of course, it is a very good grain spirit.

2049. You would think that the people drinking spirit like that are drinking pure alcohol and nothing else?—It is very nearly that. I have here a sample of grain spirit which is eight years old, and I should be very glad to show it to you or anyone. You need not taste it, but you can smell it. There is not a strong smell with it, as it contains very little flavour.

2050. (*Dr. Bradford.*) I think you hold the view that pot still is less harmful than patent still. I think you gave that in evidence?—Did I say that? I do not think I did. We will leave that to the medical profession. I do not want to say anything about that.

2051. (*Dr. Adeney.*) You gave us a definition of Irish whiskey, but did not give us a definition of Scotch whiskey?—Scotch whiskey is a spirit distilled from malt in a pot still.

2052. Could you tell me the age of the Castle H.P. whiskey that you have in the list that you gave us?—It would be about four years old, but certainly not under.

2053. Is that the minimum at which you sell pot still whiskies?—As far as I remember it is from $3\frac{1}{2}$ to $4\frac{1}{2}$ years old. We should not sell any pot still under that.

2054. You have no practical knowledge of your own as to the use of maize?—No.

2055. (*Dr. Horace T. Brown.*) I think, Mr. Gilbey, from what you have told us, that you would deny to a patent still product the name of Scotch whiskey whether alone or blended with pot still whiskey?—Yes; that is the principle we have always gone on in our business.

2056. I suppose an immense amount of patent still spirit is blended and sold as Scotch whiskey?—Yes.

2057. You do not think that such a blend can be legitimately called Scotch whiskey?—We have never thought so.

2058. Not even if the presence of grain spirit in it has been declared?—No; that is the principle we have always acted on.

2059. Are you quite sure of that? Is not your memory a little bit at fault?—I was going to say it might have been since the decision in the case we have spoken of. Do you mean have we altered the label in any way?

2060. I want to ask you a few questions about that. You sell a blend which goes under the name of "Provost"?—Yes.

2061. You had a "Castle Provost" before that, had you not?—Yes.

2062. That was a malt whiskey?—Yes, and which we took out of our list.

2063. Then you substituted for that "Provost Blended Whiskey"?—Yes.

2064. Describing it as "The finest Highland malt blended with Scotch grain"?—Yes.

2065. Did you not in that list head it "Scotch Whiskey"?—The list that you have there was merely a memorandum to the agents.

2066. I have a list here dated 14th September, 1905, in which you state that you withdraw the "Castle Provost Scotch Whiskey" and introduce "Provost Blended Whiskey, the finest Highland malt blended with Scotch grain," and that is headed "Scotch Whiskey"?—May I look at that?

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2067. Certainly. (*List handed to witness*)?—I fancy this would be a memorandum to one's agent.

2068. But it is headed "Scotch Whiskey"?—Yes, it is; but that does not go to the public; that would be a memorandum to our agents. That is a memorandum of some alterations of tariff which is sent to our agents, and when we get our list out we should alter it.

2069. I trust you will not misunderstand the reason of my asking you?—Certainly I do not. I admit that is a little vague.

2070. At the time you issued this leaflet you were under the impression, like many other people, that whiskey blended with Scotch grain might be legitimately described as "Scotch Whiskey"?—That was simply a memorandum to our agents showing the changes that were made.

2071. But still it is called "Scotch" there, is it not?—Certainly, but that does not go to the public. *These* are the lists that go to the public. (*Producing lists.*)

2072. This leaflet is dated September 14th, 1905?—That is to the trade—to our agents, and not to the public.

2073. But still it is described as "Scotch Whiskey"?—We did not want to sell that to the public as Scotch whiskey. It is simply information for the trade.

2074. But what would that mean but that you considered that "Provost Whiskey" is Scotch whiskey?—We did not issue it to the public, but we had to head it with something.

2075. Have not your views on that point rather altered during the last three years?—I do not think they have. I think we did after the trial make some slight alteration. In any list to the public we never called it "Scotch Whiskey."

2076. I think that in September, 1905, you must have still been under the impression, in common with many others, that such a blend of whiskey could be legitimately described as "Scotch Whiskey?"—Yes, we might have thought so, but as a matter of fact we did not sell it to the public as Scotch whiskey.

2077. You have somewhat altered your opinion that it could be considered generically as Scotch whiskey?—No, I do not know that we have. If we felt that we could have sold it as Scotch whiskey we could have saved thousands of pounds and made a great deal more money by putting grain into our Scotch whiskey.

2078. The list that I have here is your list to the public?—Yes.

2079. "Blended Whiskey" there comes under the principal heading of "Scotch Whiskey." That list did go to the public?—Yes.

2080. Would not any one of the public looking at that list regard it as Scotch whiskey?

2081. (*Chairman.*) It gets a little bit away from your last answer?—This list did go to the public. I think myself if I had altered that I should have put it under "Blended Whiskey" in red, and then started another heading.

2082. (*Mr. Guillemard.*) You would have to make your top heading in your list "Whiskey," and not "Scotch Whiskey"?—Yes. I believe we are doing that in our fresh lists. We are putting it in under "Blended Whiskey."

2083. That does not take it out of the term "Scotch Whiskey"?—This is the list we are now sending round to our customers. (*Handed to the Commissioners.*) (*Dr. Horace. T. Brown.*) There is nothing about "Scotch" here. I am not saying that they are not Scotch whiskey.

2084. (*Chairman.*) What is the date of the list that you have just put in?—That list was issued this year.

2085. (*Dr. Horace T. Brown.*) This paper dated September, 1905, was before the Judgment?—It was about the same time. We have only sold blended whiskies for about five years. I think that was just before the Judgment. We never used to sell patent still spirit at all.

2086. Is it your experience that if a Scotch pot distiller were to use grain of any kind with Scotch whiskey he ought to declare it?—No, but he ought not to call it pure malt.

2087. Scotch whiskey, not pure malt. You would not rule that out of Scotch whiskey?—Certainly not.

2088. Does not that interfere with your definition of Scotch whiskey which only includes malted barley and the pot still?—I never heard of anybody using anything but malted barley.

2089. Is there any reason why in Scotch whiskey there should not be used a certain proportion of unmalted grain?—I have never heard of it being done. I know we would not do it.

2090. Would you make it impossible for that to be done without declaring that a certain amount of grain is used?—If anyone wanted to do it I should not mind it.

2091. Then you must alter your definition of Scotch whiskey?—My idea is that no one has ever wanted to do it, and why anyone should want to do it I do not know.

2092. It seems to me somewhat unfair that a Scotch distiller should be called upon to declare any material he used other than malt, when an Irish distiller is quite free to use any unmalted grain he likes which is indigenous to the country?—You see Irish whiskey is one article, and Scotch whiskey is another. I do not see why they should want to make Scotch whiskey in Ireland or Irish whiskey in Scotland.

2093. It might be desirable for a Scotch distiller to use a certain amount of raw grain, and it is quite possible that it is used?—Perhaps some other distiller could give you some information. We have never heard of it, and I know that we have never used it.

2094. Now, I want to put to you a question about a remark you made upon bonded spirits. You stated that it was desirable that all Scotch and Irish whiskies and blends should be matured in bond for at least three years. I am not quite clear about the meaning of that. Does it mean that all blends after blending ought to be kept for three years, or that the individual constituents of the blends must be at least three years old?—I meant the individual constituents.

2095. Then you would apply this compulsory bonding to the patent still product as well as to the pot still whiskies?—Yes.

2096. But you have told us that the patent still product is practically a neutral spirit. Why should the patent still distiller be called upon to bond a product which is not going to alter materially during the process of bonding?—I think it does alter a little. I will not say that it makes much difference, but it certainly would be handicapping the pot still distiller, and put him in an even worse position than he is at present.

2097. You mean from a trade point of view?—Yes. I do think that grain does soften to a certain extent, it gets a sort of flavour from the cask, and gets a certain roundness from maturing.

2098. I cannot quite see the justice of that?—I am afraid it is because it is producing something which may be cheaper, and which may or may not be better in flavour, and it is a thing which matures more rapidly, or perhaps does not mature at all.

2098*a*. Why should that be kept back for two or three years whereas the other man's product is not?—I do not say that as an absolute reason, but I simply give it as one reason.

2099. A patent still spirit would then become dearer than it is at present?—Yes, it would make it dearer.

2100. Why do you recommend that Scotch whiskies and Irish whiskies should be kept in bond for not less than three years? Is it in the interest of public health at all?—No. I will not give any opinion on public health, but I think raw whiskey must be bad for one. I should be very sorry to drink it myself.

2101. Then it is putting it on the ground of public health?—Yes, I think it would be bad for one to drink it just fresh from the still.

2102. You believe a new Scotch or Irish pot whiskey is not a healthy drink?—I should think not.

2103. That is pot still whiskey, of course?—Yes.

2104. (*Chairman.*) Is there anything you would like to put before the Commission?—You have asked me

some questions with regard to prices. I have a trade list which might be interesting to the Commission. There was recently a sale by auction of malt whiskies, and grain spirits, and that list I should like to leave with you.

2105. That gives a comparison between the two classes?—Yes, that does give a comparison between the two classes.

2106. We will have that, because we want a comparison.

(*Dr. Horace T. Brown.*) The ages are on them?—Yes, the ages are on them, and the dates of bonding.

The witness withdrew.

Mr. Gerald Mooney, called.

2107. (*Mr. Guillemard.*) I think you are a Justice of the Peace for Dublin?—Yes.

2108. And Chairman and Managing Director of J. G. Mooney and Company, Limited, of Dublin, Belfast, and London?—Yes.

2109. What is the nature of your business?—We are retailers.

2110. Is that actually retailing to the public yourself?—Yes.

2111. Through licensed houses?—Yes.

2112. Licensed houses that belong to you?—Yes.

2113. Do you have any limitation as to the class of whiskey that you sell?—We principally sell Irish whiskey.

2114. How would you define Irish whiskey?—Irish whiskey, as known to the trade generally, is whiskey made from malt or unmalted barley distilled in a pot still.

2115. In Ireland?—Yes.

2116. From what materials?—Of course, I am not a distiller, but I understand that it is generally known to the public that it is made from malt or unmalted barley or other substances indigenous to Ireland.

2117. You get your whiskey, of course, from certain firms?—Yes.

2118. What guarantee have you, so to speak, that you are selling Irish whiskey and nothing but Irish whiskey?—We only buy pot still from the distillers, and we keep it in bond for a certain number of years and then blend it.

2119. You have it from distillers?—Yes, who sell nothing but pot still.

2120. It is not blended so that you are quite sure that what you get is Irish whiskey made in a pot still?—Absolutely sure.

2121. You do not mix it or blend it yourselves with anything?—We blend them together.

2122. But not with anything except the product of the pot still?—That is so.

2123. Do you think your customers generally know that they are getting what you define in that way as Irish whiskey?—Certainly.

2124. Do they ask for Irish whiskey?—Yes, they ask for Irish whiskey.

2125. Always?—We sell some Scotch whiskey.

2126. You do?—Yes.

2127. If a customer came into your shop and said, "I want whiskey," it is natural, I expect, being in Ireland, that you would assume that he meant Irish whiskey?—Certainly.

2128. You would only give him Scotch whiskey if he asked for it?—Yes, only if he asked for it specially.

2129. The general demand in Ireland is definitely for Irish whiskey?—Yes, there is very little Scotch sold

2130. If there was any spirit made from a patent still in any spirit that was sold to you you would not consider that to be Irish whiskey?—Certainly not.

2131. I see you mention incidentally here that patent still spirit or even pot still may be made from Indian corn. Do you happen to know whether in Ireland any Indian corn is actually used in pot still?—I do not, but I should say that it is not so.

2132. I thought by it appearing in the note of your evidence that you knew of the existence of such a thing?—I have heard that such a thing might be done, but I think it is very improbable.

2133. Then what would be your reasons for excluding patent still spirits from the name of whiskey altogether?—The public generally understand Irish whiskey as being distilled from a pot still, and we also sell Irish whiskey in London. When we established our business for Irish whiskey in London it was to sell pot still whiskey only as Irish whiskey.

2134. You would not sell patent still spirit as whiskey at all?—No, the public would not understand patent still whiskey to be Irish whiskey.

2135. You sell a certain amount of Scotch whiskey?—We do.

2136. As whiskey?—Yes.

2137. That surely is largely composed of patent still whiskey?—That I cannot tell you. We do not blend that ourselves, but we buy it from the blenders.

2138. So that really what it comes to is this, that unless you buy from certain definite houses which you know only manufacture in a particular way, it is a rather important point that you as retailer cannot tell what is being supplied to you?—I am speaking of Irish whiskey.

2139. I am speaking now of Scotch whiskey?—As to Scotch whiskey we could not. We buy it from the blenders.

2140. You ask for something under the name of Scotch whiskey, you get something, and you sell something, and do not quite know what it is?—We sell it as blended whiskey—as whiskey.

2141. You have no doubt that there is patent still spirit in it?—I really know nothing about Scotch whiskey.

2142. I think you may take it that the chance of the Scotch whiskey that you sell never having any patent still spirit in it is rather remote?—I should think if there is any patent still spirit in it it is very small. The blend we use is very high class, and if there is any patent still spirit put into it it is merely for the purpose of modifying the spirits. The curious thing about Scotch whiskey, as I understand, is that it requires a little patent still spirit to make it perfectly clear, that is when it is reduced. I understand that they do put even in the very highest class of blends a very small quantity of grain spirit in order to make the whiskey perfectly clear and bright when it is reduced for sale.

2143. But still you do get your two products. You are selling Scotch whiskey which has grain spirit in it as whiskey?—I presume so.

2144. You would not sell as Irish whiskey that which had a blend of grain spirit in it?—No. I make that distinction between Irish and Scotch.

2145. What do you rest that on—long custom?—Certainly. It should be understood thoroughly that Irish whiskey is distilled from pot still, and pot still only.

2146. Have you formed any idea why the public have come to that view? Is it simply that they like the flavour, or is there any idea of health or anything else in it?—I should think it has a good deal to do with the flavour.

2147. Principally the flavour?—Yes, principally the flavour, in fact it is almost altogether the flavour, and also the question of age. Pot still is never, or very seldom, used under three years old, and we never use it under five years old.

2148. You do a considerable trade?—Yes.

2149. Could you give me any indication of the size of the trade you do, so that we could judge?—We have several houses in London, a house in Belfast, and several houses in Dublin, and our trade is very

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extensive on account of that. I should think we are almost the largest retailers in the United Kingdom.

2150. Could you give the Commission any idea of the amount that you do sell to the public? I do not want to press you if you would rather not tell us?—I could not give you the exact figures, but it is very large.

2151. You do not want to go beyond that?—No.

2152. Now to go away from Ireland to England, I see you say that Irish whiskey is not so popular in England. Can you give any explanation of that?—I rather think the reason of it is that the blends which were used in England were not very satisfactory, that is to say, what was sold as Irish whiskey up to a certain time. I think it has improved recently, but what was sold as Irish whiskey was not very satisfactory, that is to say, the blend, and on that account it got rather a bad name. Irish whiskey, for that reason, got rather a bad name. I think it was owing to a great extent to some patent still spirit being used. However, things have been improving recently.

2153. Then with regard to the trade terms, when you buy whiskey how is it described in the trade? Under what names is it sent to you?—If you asked a broker in Ireland for whiskey he would not sell you patent still spirit as Irish whiskey. Whiskey, as known by a broker, would be pot still altogether. He would not offer the patent still at all if it was Irish whiskey.

2154. Do you know any distillers in Ireland that produce plain patent still spirit and nothing else—not blended?—Yes, there are distillers in Ireland who produce patent still spirit.

2155. And nothing else?—I am not quite sure. They may produce pot still, but there are several who produce patent still and sell it as patent still.

2156. What do they describe it as?—As patent still, and not as grain.

2157. Not as whiskey?—I never bought any, so I cannot speak of it.

2158. (*Dr. Horace T. Brown.*) You have expressed an opinion in your *précis* that the effect of patent still spirit on the consumer is different from that of pot still whiskey, that a man gets drunk much more quickly on patent still spirit, and that the after-effects are generally considered to be much more severe. Is that an opinion based on what you have seen yourself, or what you have heard from others?—It is simply from hearsay.

2159. You are not prepared to substantiate that from your own observation?—No.

2160. (*Dr. Cushny.*) When you buy Scotch whiskey do you buy it as Scotch whiskey, or in what form?—We buy it as blended Scotch whiskey.

2161. Not as a pot still and patent still mixture?—Some few years ago we asked the people we buy our Scotch whiskey from to give a guarantee that what they were selling us was pure pot still, and they wrote this letter, if I may read it: "If you prefer to run pure malt whiskies in all your establishments we shall be very pleased to send you in a sample. There will be very little difference in the whiskies as the proportion of grain in your blend is very small, and only added so that the blend may stand quite clear when reduced." We wished to sell nothing but pot still, but they told us they could not send it as satisfactory whiskey as regards brightness and clearness unless it had some patent still in it to bring it to the necessary clearness. That only refers, of course, to Scotch whiskey. I know that Irish whiskey does not require anything of the kind, and in fact it would be very deleterious to put patent still spirit into it.

2162. But you accept it that some patent still spirit is admissible in Scotch whiskey?—The only knowledge I have of it is from what the blenders told me.

2163. That is rather important, as you are practically a member of the public in regard to Scotch whiskey, and an expert in regard to Irish whiskey?—Yes.

2164. (*Dr. Bradford.*) Do you think drunkenness is produced more readily because more of the patent still spirit is drunk, or do you think that it is due to some difference in the spirit?—I can only say from what I see, and I think that patent still which is sold in a new condition and is very strong, of course, is more likely to make a person drunk than pot still when it is four or five years old.

2165. You attribute it to age?—Yes.

2166. You said a moment ago, I think, that the addition of patent still spirit to pot still spirit was deleterious?—Yes, I did.

2167. Is that on account of newness or rawness?—Yes. Generally speaking, I do not think it improves very much by age. I have seen samples of five or six years old patent still, and I should not think there was very much improvement in it at all.

2168. I wanted to ascertain why you thought the addition of patent still spirit to pot still was deleterious?—That is the reason I think, that it is strong, and it has a bad effect. That is my opinion, of course.

2169. I wanted to get your opinion on the matter?—That is my opinion.

The witness withdrew.

Mr. E. P. O'Kelly.

Mr. Edward Peter O'Kelly, called.

2170. (*Dr. Adeney.*) You reside at St. Kevins, Baltinglass, County Wicklow?—Yes.

2171. You represented the County of Wicklow in Parliament?—Yes, I did for some time.

2172. Until when?—1895.

2173. You are now chairman of the Wicklow County Council?—I am.

2174. And chairman of the Baltinglass Board of Guardians?—I am.

2175. You also act as land agent to Mr. Hume?—Yes.

2176. You are engaged in business as grocer and publican in Baltinglass?—I am.

2177. How long have you been engaged in that business?—I have been engaged in it from 1879, but my father was engaged in it before me since 1832.

2178. So that you have had a very considerable experience?—Yes, a very long experience indeed.

2179. What does your trade consist of? You act as a wine merchant as well as a spirit merchant?—Yes, and also as grocers and publicans.

2180. You sell spirits in a public house across the bar?—Yes.

2181. What kind of whiskey do you sell?—We sell nothing but pot still whiskey pure and simple.

2182. Do your customers never ask for anything else but pot still whiskey?—Yes; in fact they would ask for malt or other whiskey, but they never on any occasion ask for patent still whiskey.

2183. But when they do ask for whiskey you understand them to mean Irish pot still whiskey?—Yes.

2184. Have you any knowledge of the age of the whiskey that you sell?—Yes, I know the age of all the whiskey I sell.

2185. What is the minimum age?—The minimum age of the whiskey that I ever sell is four years old.

2186. Of course you have had considerable experience and have seen the effect of whiskey upon your customers?—I have.

2187. Have you formed any opinion as to the effect of the Irish whiskey?—I find the older it is the more moderate it is and the less effect it has, of course, on the person.

2188. You practically have had no experience of the effect of patent still whiskey?—I never saw patent still whiskey until yesterday. Once about 12 years

ago I was offered it in order to have a cheap whiskey and I did not buy.

2189. Why did you not buy?—The reason I did not buy was that if I sold this patent still whiskey and the people knew that they were drinking the produce of what they call pig-corn I think they would leave me.

2190. And you would lose your reputation?—Yes.

2191. Do your customers actually know anything of patent still spirit?—I think not. In the village I come from, although there are 16 or 17 publicans, I do not think there is a gallon of patent still whiskey sold in the place.

2192. I suppose they have all been open to the temptation to sell cheaper whiskey?—I do not know. I was tempted myself.

2193. With regard to the difference in cost between patent still spirit and pot still spirit would the difference in the first cost to you be large?—Patent still spirit would be about a third of the cost of pot still. The price I was offered patent still spirit at, it is a number of years ago, and, of course, it has become cheaper since, was 2s. a gallon.

2194. (*Chairman.*) As against your ordinary price of what?—From 5s. to 7s. or 8s. or 9s. sometimes.

2195. (*Dr. Adeney.*) You think that Irish people, or, at any rate, your customers, have become so used to Irish pot still whiskey and know its effect from a health point of view, that they would not under any consideration change?—I do not think they would, and the taste of the public, even the poorer class, has improved very much, and they go in for a much better article now than they did 20 years ago.

2196. Is the consumption of whiskey in your district increasing?—No, it is decreasing.

2197. (*Chairman.*) Did you make any sale of Scotch whiskey at all?—It is infinitesimal, my Lord. I do not suppose we sell 2 gallons of Scotch whiskey in the year in my establishment.

2198. Is there sufficient trade in Scotch whiskey for you to keep it in stock in your particular house, or do you supply it to some particular class of customer?—A person will occasionally ask for a glass of Scotch whiskey and we would sell it to him.

2199. Take the two, a pure Scotch whiskey and Irish whiskey. I understood that Irish whiskey had some particular flavour in it, that it had a rather more smoky flavour than Scotch whiskey?—It has quite a distinct flavour. Scotch whiskey always reminds me more or less of Hollands gin in flavour, and it has a sort of smack of what I have met a few times in what I term the old potheen.

2200. That was all right was it not?—It generally did not get a chance. It was consumed too quickly.

2201. Except under penalties?—Yes, my Lord.

2202. Of course you in Ireland, in the same way as with Guinness' stout, regard Irish whiskey as the superior drink?—Yes, Irish whiskey is considered to be the best.

2203. You have no blend in that?—No, we never blend two Irish whiskies. We always sell them as they come in.

2204. Not blended?—We always in our place sell Jameson's whiskey and Power's whiskey, and any other whiskey as coming direct from themselves without being blended with other whiskey.

2205. You sell it as Jameson's whiskey?—Yes, as Jameson's whiskey or as Power's whiskey, as the case may be.

2206. Would that be the same of a bottle, or if a customer came in and said, "I want a glass of Jameson's whiskey"—would he get it?—They often do ask for a glass of Jameson's whiskey, or a large Power, or a small Power, as the case may be, and they always get the whiskey they demand.

The witness withdrew.

Mr. Dominick Justin Daly, called.

Mr D. J. Daly.

2207. (*Dr. Horace T. Brown.*) I believe you are Chairman of Messrs. M. D. Daly and Sons, Limited?—Yes.

2208. The business being that of wholesale wine and spirit merchants?—Yes.

2209. You are also Vice-President of the Cork Chamber of Commerce, I believe?—Yes.

2210. Your firm has been in existence for a considerable time?—Yes, a very long time.

2211. For 100 years, I think?—Yes.

2212. You have yourself been in the trade for how long?—For close upon 30 years.

2213. Besides the wholesale trade, you have also a certain amount of retail trade?—Yes, we have one house with an off-licence for supplying families.

2214. You state in your *précis* that you have no interest in any distillery either pot or patent?—That is so.

2215. Can you give us any definition of Irish whiskey and what it ought to be?—Yes. Everyone in Ireland, I think, considers that Irish whiskey should be made in the pot still from barley, malted or unmalted, with small proportions of cereals grown in Ireland.

2216. You say something in your *précis* about the necessity for Irish water?—Yes, we consider that the water has a great deal to do with the flavour of whiskey.

2217. You know of the patent still spirit, I suppose?—Yes.

2218. And you are convinced that that is not entitled, either by itself or blended, to the name of whiskey?—No, I am not. I do not go so far as that. I say it is not entitled to the name of "Irish Whiskey." I hope this Commission will define for us what is whiskey.

2219. You maintain that the patent still spirit is not entitled to the name or to be sold as Irish whiskey?—Yes.

2220. Blended or unblended?—Yes, blended or unblended.

2221. You maintain that it is a totally different thing from Irish whiskey?—Yes, totally different.

2222. In what respect is it different?—I look on patent spirit as practically pure alcohol. I consider Irish whiskey, old Irish whiskey, a round, full-flavoured, excellent spirit that cannot be surpassed.

2223. The greater part of your business is in Irish whiskey?—Almost all.

2224. You do a certain amount of blending?—Yes, a little—we have to do that. We do not encourage it, but we have to do it.

2225. What is this mixture that you sell?—It is a mixture at a price to compete. Travellers come round to our customers—small shopkeepers in the country—and go from place to place and represent to them that they are paying too much. Then we are asked if we can compete with these people, and we say: "We can give you what they can give you, and we will give it to you at the same price." We are in business to sell.

2226. You state that in order to compete with them you commence selling a particular blend or mixture of as much as 80 per cent. of patent still, and 20 per cent. of pot still?—Yes.

2227. But that you never sell it as Irish whiskey?—No.

2228. Under what name do you sell it?—We sell it as whiskey, and we always invoice it as "Whiskey."

2229. You admit it is whiskey?—We must do trade. They are all round me selling this as whiskey. As I say, I hope the Commission will be able to tell us whether it is whiskey or not.

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2230. If it is shown not to be whiskey you would stop selling it?—I would.

2231. Or sell it under some other name?—Yes; I would sell it under the name we buy it as.

2232. You buy patent still spirit from Northern firms and blend it yourselves?—Yes.

2233. What price do you pay for your patent still whiskey?—It averages about 1s. 4d. to 1s. 8d.

2234. Is that proof?—No, strong 25 over proof.

2235. You mix that with pot still spirit which you get from the distiller?—Yes.

2236. And he charges you what?—Our chief business is bonding the different makes of the different distillers and keeping their whiskey in bond and selling it matured. That is our chief business—we are large bonders of Irish whiskey. Then when we want it for this cheap whiskey we get a little fairly old pot still—pot still about two or three years old and blend, say, 20 per cent. of that with the patent spirit in order to compete with the cheap whiskies.

2237. So that your pot still spirit at 2 or 3 years old costs about 5s. a gallon?—About 4s.

2238. You state in your *précis* that it is 5s.?—Yes, 4s. to 5s.

2239. That is mixed with patent still spirit which costs from 1s. 4d. to 1s. 7d.?—Yes.

2240. Can you tell us what you sell that blend at?—It depends upon the strength. So much of it is duty. If it was 20 per cent. over proof, roughly speaking, the duty would be 13s., and if it was 20 per cent. under proof, speaking roughly again, the price would be 9s. for the duty only. Of course, there is then the price of the whiskey.

2241. Comparing it at proof with the price that you get for the Irish whiskey alone, what difference would there be with or without the duty? It does not matter, but let us have it without the duty first?—We only sell it duty paid. We do not sell that cheap spirit that I have described to the retailers unless it is duty paid.

2242. What would be the price, duty paid, of your Irish whiskey 2 or 3 years old?—It would be about 18s. 6d.

2243. Per proof gallon?—No.

2244. 25 per cent. over?—No, the 3-year-old would be about 14 or 15 per cent. over.

2245. At the same strength of 14 or 15 per cent. over, what should you expect to get for this blend of 80 per cent. patent still and 20 per cent. of pot still spirit?—About 16s.

2246. At the same strength?—Yes, 16s. 3d. or 16s. 6d.

2247. So that there is a difference of about 2s.?—Yes.

2248. You are of opinion that you could not sell patent still spirit as Irish whiskey to your customers?—Yes.

2249. And do you also maintain that a patent still spirit, wherever it is made, has the same flavour and quality?—Yes, that is my opinion.

2250. Whereas you maintain that Irish and Scotch whiskies are distinct articles?—Quite.

2251. If a mixture of patent still spirit and pot still spirit is mixed and sold to the public as Irish whiskey, you consider that fraudulent?—I do. I consider that it is not what it is represented to be.

2252. I am taking your own words in your *précis*?—Yes.

2253. You also believe that it would be a very good thing in the interest of the consumer if all pot still whiskey had to be matured for at least 2 years?—Yes, that is my opinion.

2254. On what grounds do you base that opinion? Is it on the grounds of public health?—Yes. I think that pot still whiskey should be two years old at least before it is sold.

2255. You think it is unwholesome before it is two years old?—Yes, I would say that. I think that very little is sold, because it improves so much that everyone does keep it as a matter of fact.

2256. I suppose the flavour materially improves?—Yes.

2257. You would not like to drink a new pot still whiskey?—No.

2258. With regard to the question of flavour, do you think there is a deleterious flavour in the new spirit?—New pot still whiskey is nasty—raw.

2259. You would not be able to sell pot still whiskey until it reaches a certain age?—Very little is sold in Ireland.

2260. Would you require the law to step in and insist upon bonding it for two or three years when you know that the whiskey is not really fit to drink under that time?—I think it would be a good thing in the interests of Irish whiskey if all pot still whiskey were kept two or three years in bond.

2261. I do not quite see why. Perhaps you can make that clear to the Commission?—The improvement in the spirit is so immense.

2262. Are you now speaking of improvement in flavour?—Yes, I think the bye-products which are very nasty pass away.

2263. Do you not think the public could take care of itself as regards flavour?—I am afraid up to the present they have not been taking care of themselves at all in the matter of Irish whiskey, especially in England.

2264. You said that pot still Irish whiskey is not harmful in itself?—That is so.

2265. It may not be pleasant to drink, but it is not harmful?—You are now taking me beyond what I can go really. I do not really know that as a matter of fact. I know what I like myself, but whether it is injurious or not I do not know.

2266. But if it is not injurious why do you think it necessary that it should be two years old?—Because the spirit improves so very much.

2267. Improves in flavour?—Yes.

2268. But you do not know of any improvement in any other respect?—I think it is more wholesome for one thing. I have been told, and I have heard, that these bye-products which are very nasty pass away after two or three years, and then the spirit is mellow and wholesome as compared with when it is new.

2269. You take that opinion from others?—Yes, from what I have heard.

2270. (*Dr. Adeney.*) You blend yourself, do you not?—Yes.

2271. So that you could answer this question: Does the blending with patent still whiskey or spirit have the effect of masking the flavour of new whiskey?—Yes, in young whiskey I would say so.

2272. So that by blending with patent still spirit you can use a newer pot still whiskey?—Yes, I should say so, certainly.

2273. Than in the case of unblended pot still whiskey?—Not Irish whiskey, of course, but new spirit.

2274. I am talking about pot still spirit?—Yes.

2275. You come from Cork?—Yes.

2276. Are there any distilleries in Cork?—Yes.

2277. How many?—Three—two under one management, and another.

2278. Can you give us those?—The Cork Distillery Company at Midleton, and also a distillery in the North Mall.

2279. Are they all pot still?—At Midleton there is a patent still.

2280. Do you know anything of the character of the products?—No.

2281. (*Dr. Cushny.*) You say you sell a blend to publicans in your district. Under what name do you sell that blend?—As whiskey.

2282. Do you know what they sell it as?—They sell it as whiskey.

2283. Or as Irish whiskey?—No, I do not think it is known as Irish whiskey. I am quite sure the general run of people would not drink it as Irish whiskey. The flavour and quality of Irish whiskey is very well known.

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2284. Do you sell any Scotch whiskey?—No, very little.

2285. Where do you get it? Do you get it from a blender, or a distillery, or where?—We get a little chiefly in bottle. We buy it direct from the distillery.

2286. Is that pure pot still whiskey?—Yes, pot still.

2287. (*Mr. Guillemard.*) With regard to that blend of yours, in what form do you pass that blend on? Do you pass it on in cask or bottle?—In cask principally.

2288. Do you mark it in any way?—No.

2289. What do you put on the cask?—There is a circle with "D & S" on the top.

2290. That means Daly & Sons?—Yes.

2291. Do you put anything else on it?—No.

2292. You do not put anything in the nature of a notice to let people know what there is inside it?—No, because we are in business to try and make money. We have great hopes that this Commission will tell us one way or the other something that will guide us.

2293. I think that we are rather reversing the order of things; we are trying to get information from you, and we shall found our opinion partly upon what you tell us?—All I have to say, now that I am on this question, is that we have a proved case at Islington, where there was 90 per cent. of patent still spirit. The distiller invoices a certain thing to the blender as grain spirit, and the blender adds 10 per cent. of something and sells that as Irish whiskey. Could there be a greater fraud on Irish whiskey?

2294. But still it is a question of proportion, because a good many people would approve of that blend that you sell being sold as whiskey?—I am not at all in love with it myself.

2295. You are simply driven into it because other people do it?—I do it, but I do not like it.

2296. The real reason you sell it, I take it from your evidence, is that people demand a cheaper whiskey, and to give them whiskey at that price you had to turn out this blend?—Yes, an enterprising traveller comes round and persuades them that they can get a thing much cheaper, and the customer comes to us, and we have to sell him a cheap whiskey.

2297. Your sale is to the retail dealer?—Yes.

2298. Do you know at all how his price to the consumer is affected?—It is not affected at all. The consumer suffers.

2299. The consumer pays the same?—Yes.

2300. You mean, then, that if you analysed the demand that leads to the sale of that whiskey, the demand is only by people who wish in selling it to make a bigger profit? It is not a demand by the public?—Certainly not.

The witness withdrew.

Mr. Cornelius Arthur Nash, called.

Mr. C. A. Nash.

2301. (*Mr. Guillemard.*) I think you were for some years with Messrs. J. and J. Allingham, of Capel-street, Dublin?—That is so.

2302. Towards the end of your time you were manager of the business?—Yes.

2303. What was the nature of Messrs. Allingham's business?—Dealers in wines and spirits.

2304. Did that include blending?—Yes, inasmuch as we blended some brands of Dublin whiskey—pot still blended with some different brands.

2305. Some pot still with other pot still?—Yes.

2306. Your house did not do any blending of pot still with patent still?—We never did anything at all in patent whiskey. We never do it.

2307. Then what was the principal business of Messrs. Allingham? Was it selling to the retail trade?—Yes, and privately.

2308. Was that sale entirely confined to the sale of Irish whiskey?—No, there was some Scotch whiskey sold, but it was scarcely worth mentioning.

2309. It was sold as Scotch whiskey?—Yes, it was sold as Scotch whiskey, and it was Highland malt.

2310. Since you left Messrs. Allingham can you tell us what your connection with the spirit trade has been?—I represent several foreign houses in the wine trade, and I am a dealer in all different brands of Irish whiskey as well.

2311. You are a blender?—No, not at all, a broker would more correctly describe it.

2312. In the light of your experience how would you define Irish whiskey?—I have always understood Irish whiskey to be made in a pot still of either malt or unmalted barley and a certain proportion of, say, wheat and oats.

2313. Any other grains?—Perhaps a little rye.

2314. All those would be grains actually grown in Ireland?—Altogether.

2315. Would you exclude grains of the sort that could be grown in Ireland but are imported from somewhere else, or do you mean grain grown in Ireland actually?—I have not the experience of an actual distiller, and I do not know whether some distillers would find it necessary, through, perhaps a shortage of home-grown corn, to buy barley, say, that would be grown in the British Islands. I do not suppose that that would be necessarily excluded from the category of cereals admissible for the pot still.

2316. Then the main elements of Irish whiskey in your view are the pot still, and the locality Ireland? It must be made in Ireland?—Yes.

2317. You said during your business career the only spirit you have sold has been Irish whiskey?—Altogether.

2318. I take it that, put into other words, means that that is what the people wanted?—Yes.

2319. You have not in any way tried to influence the sale?—No.

2320. But it is simply that the people came to you for it?—Yes, we gave them what they asked for.

2321. As a rule when people came to you with an order did they ask you for so much Irish whiskey, or so much whiskey?—They sometimes would ask for the produce of a certain distiller, and in that case we gave them the make of that distiller, or they asked for fine whiskey, that would be a blend of the pot still whiskey of two, or perhaps three, Dublin distillers.

2322. Of course, you in your time have come across patent still spirit. Could you tell us what, in your opinion, is the principal difference between it and Irish whiskey?—The two things are altogether different. I look on patent spirit as pure alcohol, and nothing more.

2323. You would go so far as to say that it is, in other words, a silent spirit?—My acquaintance with the article is very distant. I have never been on speaking terms with it at all.

2324. So that really your opinion on that is only what other people have said about it to you?—Quite so.

2325. You do not buy, but can you give any idea of the difference in price that there is between the two if you were buying patent still and pot still? You heard the evidence of the last witness?—Patent still, 1s. 4d. to 2s., I think I heard him say. Dublin whiskies always vary considerably in price. You must look at them first as regards their bonding price, but they vary from about 3s. 10d. to 5s. Then, of course, as whiskies get older they have a certain market value which increases with every year. Some whiskies ten years old would be worth perhaps 12s. or 13s. a gallon, and I do not know that the patent still whiskey will be worth anything approaching that at any age.

2326. In connection with the improvement by age, have you any views as to the desirability or not of

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compulsory bonding?—I should say that if there are people who sell cheap pot still whiskey very young, under two years old, it would be better that it should remain at least two years in bond. My reason for saying that is that I have always heard, and I know from the taste of the spirit, that up to that age it is very coarse, even the very best makes, and perhaps the better the make the coarser it is in its youth.

2327. The longer you keep the pot still whiskey in bond the higher the price that is obtainable for it?—Certainly.

2328. Do you not think that in itself is sufficient stimulus to people to keep it in bond if the alternative is selling a worse article at less profit to people who would not like it?—I must distinguish there because the holder of whiskey, the man who bonds whiskey, will do better by selling it at three or four or five years old than he would by selling it at two years old. In the first place there is a greater loss of quantity during the first two years of the whiskey being in bond. The loss during the first two years is not in proportion to the subsequent loss, but the retailer who would sell the cheaper whiskey of course does not keep it in bond, but simply buys it, and would make more money out of what he buys cheap than what he would pay a higher price for.

2329. Do you think that legislation is necessary to insure the pot still spirit being kept in bond for a certain time; I am speaking generally?—Yes, I do.

2330. You think it is really required?—Yes, I do.

2331. I suppose you have come across traders who sell patent still spirit either alone or blended with pot still. Under what description do they sell it in your experience?—I cannot speak from any practical personal knowledge in the matter.

2332. I see in your *précis* you say that such people never disclose the fact to the public; that is to say, that they never disclose to the public that there is a blend of patent still spirit. Do you not think that is, perhaps, too general a statement? I do not know whether you were in the room this morning when Mr. Gilbey gave his evidence?—Yes.

2333. He does a considerable business?—He does, and I fear there are very few who do business on Mr. Gilbey's lines.

2334. Then Mr. Gilbey's evidence has modified the idea that you had before as to that?—Of course it has to a certain extent, because I have seen price lists of various people whom I have known as blenders of patent still, and I do not think they ever mentioned that on their labels, or on their price lists.

2335. Then the statement in your evidence would not amount to very much more than this, that there are people selling patent still spirit either alone or blended with pot still spirit who do not call attention to the fact?—I am afraid so.

2336. As regards the description in the trade—the trade selling to one another—is it your experience that patent still spirit is described as whiskey or not?—As grain spirit.

2337. Would you say that was universally so?—I think so.

The witness withdrew.

Adjourned for a short time.

Mr. T. Doolan.

Mr. Thomas Doolan, called.

2338. (*Dr. Cushny.*) You are a wine and spirit merchant?—Yes.

2339. Where?—At Waterford.

2340. Trading as?—T. and H. Doolan.

2341. Is your connection chiefly in the South of Ireland?—Chiefly in the South of Ireland.

2342. You sell wholesale?—Wholesale and retail, both; more in the retail, perhaps; retail and family.

2343. How long have you been engaged in the spirit trade?—About 28 years.

2344. All of it in Ireland?—No; I was for three or four years in Scotland.

2345. What do you understand by Irish whiskey?—I understand Irish whiskey to be what most of the Irish witnesses have stated it to be here since the Commission opened yesterday, and that is the product of malted and unmalted barley with the addition of other cereals indigenous to Ireland; oats, and so on.

2346. Made in a pot still?—Made in the old pot still.

2347. Only in the pot still?—Only in the pot still.

2348. Would you allow the patent still product to be called whiskey?—Certainly not.

2349. Not whiskey even?—Not whiskey even.

2350. What are your grounds for that?—The grounds are that in my opinion it does not contain the ingredients that are necessary to produce the characteristics of whiskey.

2351. Is that your own individual opinion or is it widespread? Is it widely held in Ireland?—Well, yes. The Irishman looks upon this patent spirit as a thing he does not want to get when he asks for whiskey. I believe that is generally understood by the man in the street.

2352. You would refuse both the titles, whiskey and Irish whiskey, to this spirit?—Yes.

2353. And to a blend?—To a blend. Under no circumstances would I allow "whiskey" to apply to it.

2354. Do you believe all Irishmen, or most Irishmen, object, and would have the same feeling with regard to it?—Yes, and they have had that feeling since the patent still was first introduced into the country, I believe.

2355. In your *précis* you give us some of the history of the making of whiskey. What changes has the making of whiskey undergone in your experience in recent years?—In Ireland I do not think it has undergone any change hardly.

2356. You talk of smugglers in your *précis*. Did they use a treble still?—They used the old pot still.

2357. Did they use the three stills as the present pot-stiller does?—Something on the same principle as the pot still of to-day.

2358. But the pot still of to-day contains three stills?—I think they used to distil it a third time. They would have repeated distillings. They might have three, I think, but I am not quite sure about that. I believe they would.

2359. You think illicit whiskey at present is distilled three times?—I do not know, but I believe that it is the method to make whiskey—I am inclined to think that it would be. The first runnings of potheen are not offered in their original state to the people.

2360. Supposing you had a bottle of patent still spirit and a bottle of pot still whiskey, what differences are there between them, do you think?—Well, I think from the construction of the patent instrument——

2361. If you had a bottle of pot still whiskey and a bottle of patent grain spirits what differences do you recognise between them, quite apart from the method of manufacture?—The one is, comparatively speaking, flavourless.

2362. Flavourless?—Yes.

2363. Any other difference?—There is not the same roundness in the flavour of it. It seems to be sharper on the palate. The pot still spirit seems to be more evenly balanced on the palate, and I believe that is from the ingredients that it contains. These little bye-products are necessary. They seem to be a very important thing in the production of it.

2364. Is that the new pot still whiskey or the old pot still whiskey?—The same principle would apply. You could see that difference in them. Of course, there is a great difference between new pot still and old pot still—a very great difference.

2365. Is there as great a difference between new pot still and old pot still as between one of them and patent still?—No; I would not say so.

2366. Then you say patent still spirit is more injurious to the consumer than the pot still Irish whiskey?—I believe so.

2367. How much experience have you of the matter?—Well, I have known districts in Ireland where patent spirit, or nearly all patent spirit, was supplied, and I have known people to drink to excess in those places and complain of the ill effects, and I have also noticed it in them myself.

2368. What ill effects did you notice?—Well, I think that the patent spirit seems to make them more violent.

2369. Did they get drunk sooner—with less of it?—I think it creates a craving for it. They drink more of it. They get a sort of craving for it—more so than with the pot whiskey.

2370. There is more a craving with the patent spirit?—I think so. It has not the same satisfying effect that the pot still whiskey has, I believe.

2371. The pot still whiskey does not satisfy a good many people?—Unfortunately.

2372. (*Chairman.*) What causes the greater craving when the man drinks?—I could not say, except that it would be the absence of these little ingredients, or essential oils, that are characteristic of pot still whiskies. It is rather a mystery.

2373. I thought it was the patent still that occasioned the greater craving?—Yes.

2374. Is it the ingredients?—It is for want of the ingredients.

2375. In the patent spirit?—Yes.

2376. That is curious?—I believe that is the reason.

2377. (*Dr. Cushny.*) Do you think it is the absence of flavour?—Yes, the absence of these ingredients which are necessary to produce a truly Irish whiskey.

2378. I should have thought that a man would get tired of drinking whiskey that had not a flavour sooner than of one which had?—They mix it. Usually there is a dash of pot still in it.

2379. (*Chairman.*) In the blend?—Yes, usually to give it a flavour and try and make it pleasant.

2380. What we are upon is what causes the person drinking to crave for more of the patent than he would require if drinking pot?—I cannot say, except that the patent does not contain so great a proportion of those essential oils and different ethers that whiskey is composed of.

2381. Do you call it a healthy craving because the taste is pleasanter, or does it produce a sinking in the system?—I could not say, my Lord, but that is what I believe.

2382. (*Dr. Cushny.*) You cannot give any other thing that there is a craving for that is tasteless or lacking in taste—there is nothing like it?—There might be the want of flavour which would make it.

2383. You cannot imagine anyone wanting a thing because it lacked flavour?—No, that is quite right.

2384. Have you any further explanation for this craving?—No, I could not give any other. I believe it is from the want of these different ingredients that are characteristic of whiskey.

2385. Do you find that in those districts where the patent still spirit is largely used that there is more drunkenness than in the pot still whiskey districts?—I could not go that far, because it is in country districts that I am now referring to where there would be only one house. That is what enabled me to state that I believe it is the cause of the violent way it makes them act when they drink it to excess. I know it to be supplied in such districts. But as to towns, I could not give you that opinion. It is only about districts where I know there is one house.

2386. You mean the patent spirit is supplied in country districts?—Yes.

2387. Is it supplied as Irish whiskey?—That would be supplied as Irish whiskey.

2388. It is supplied as Irish whiskey?—Yes.

2389. The patent still?—Yes, mixed; there might be a little mixture in it. There might be a little of the pot mixed with it.

2390. That is to say, the blend is supplied as Irish whiskey?—Yes.

2391. Do the public take that freely?—They have to take it. When the public ask for whiskey they do not think they are getting the patent. They expect to get whiskey, not patent.

2392. But they do not object to it when they get it?—They do object to it.

2393. They do object to it?—They have often complained to me.

2394. But you say they go on drinking all the same?—They would, but they suffer from the ill effects of it. When a man gets a certain quantity, even though it may be injurious, he will unfortunately take more of it, and he suffers in consequence.

2395. He cannot dislike it very much if he goes on drinking this patent stuff. Some witnesses apparently thought that the average Irishman would refuse to have patent still spirit?—So he would if he could get anything else, but in the country districts he cannot get anything else. They have only got that, and he cannot get anything else; so there is no use in objecting.

2396. (*Chairman.*) What districts are those. You say "in some districts"?—In the South of Ireland districts in my own knowledge, but I prefer not to mention them.

2397. Is this district extensive where nobody can get pot still whiskey?—I beg your pardon.

2398. Is it an extensive district where you can only get the patent still whiskey, and not the pot whiskey?—It is not a very extensive district, but there are many places in some parts of the country that I know where this patent spirit is sold as whiskey mixed with a little pot still.

2399. And no other whiskey is sold?—Well, I do not think so.

2400. Is that so sold because it is cheaper?—Yes, to make a better profit, I believe.

2401. Have you ever known persons ask for whiskey who have been given this patent still whiskey and then complain and say: "That does not come up to my idea of what whiskey is. I object to it." Do they ever do that?—Well, yes. I have known that to be done. A good judge would know it, but everybody is not such a competent judge.

2402. It is a matter of practice and experience?—Yes.

2403. Is it an objectionable practice to sell this patent spirit as whiskey? Is it condemned generally, do you think, by people?—Yes.

2404. What we should call bad form?—Yes, it would be.

2405. For instance, take yourself. I suppose you would not like to enter into the trade of selling patent spirit?—No; we are nearly forced into it, because everybody seems to be obliged to compete now. We are nearly forced into it.

2406. Does the patent still under-sell; has it got into real competition with the pot so as to under-sell it?—Yes, it does. There are wholesale houses now selling it to the trade.

2407. Is this a practice that has been increasing of late years?—Yes, I fear it is. I believe it is.

2408. Do you attribute that to the cheaper price?—Yes.

2409. Not to the taste of the customer at all?—Well, a good judge would know it, but everybody is not a good judge. I believe that the object is to make more profit out of it.

2410. Do you not think that most people are pretty good judges of what they like?—Yes, some.

2411. If this trade is increasing must that not show that the taste for this blend or this patent still is increasing amongst the Irish public?—Well, it is increasing in what I believe to be a fraudulent manner.

2412. By not telling the person?—Yes.

2413. Then we fall back on what we have just been

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talking about. As he takes it, he knows whether he likes it or not?—I do not believe that an Irishman likes patent spirit.

2414. (*Mr. Guillemard.*) In these districts where nothing is to be obtained but the patent still spirit do you happen to know if the consumer gets his whiskey cheaper on that account, or is it only the dealer?—Only the dealer.

2415. The consumer would pay as much?—Yes.

2416. Then there are really districts where people can only get the patent still product, and have to pay as much for it as they would for pot still Irish whiskey?—I believe so.

2417. You are a spirit merchant with a large connection in that district?—Oh, no; I do not say that district.

2418. There are some merchants—I do not want to make it a personal matter—but there must be merchants in Ireland in your position in that district who could go in and sell pot still Irish whiskey to these people who want it and cannot get it. Why does nobody go and sell Irish whiskey in those places?—The publicans go to the wholesale men for the very cheapest thing he can give them to sell to these people.

2419. The publican is the master of the situation?—He would be, of course, in that case.

2420. It would not be possible for them to start any system by which they could push the sale of pot still Irish whiskey?—I think they would have to be compelled to do it.

2421. They would?—Yes, they would have to be compelled.

2422. (*Chairman.*) I suppose the high price would beat the pot still distiller in the same way as it beats the publican if he went and tried to sell pot still. It would be sold at a higher price than the publican is now paying for the patent still, and that would beat him?—I beg your pardon.

2423. If the merchant who was selling pot still whiskey went into the market he would have to charge the full pot still price?—Of course he would.

2424. Would he not be beaten by the publican who is buying the patent still at a price?—Of course, the patent still would beat him at a price.

2425. Then it would bring it to an end. How could he make his market against the patent still?—With a good class of trade and people who are competent and good judges he would be able to make his market.

2426. It is the middleman who has to get to the consumer. Would the publican go and pay the pot still price?—He would if he was obliged to do it.

2427. Quite so, but I am taking the market as it is?—No; he would not pay it.

2428. (*Dr. Cushny.*) Does anyone ever ask for a special brand of Irish whiskey?—Yes.

2429. Such as Jameson's?—Yes, that is chiefly asked for—Jameson.

2430. And they get it?—Yes.

2431. When they ask for Irish whiskey?—When they ask for Irish whiskey, but they are liable to get patent mixed in some places.

2432. Is Jameson's whiskey sold at the same rate to the consumer as the patent still?—In some places it would be.

2433. If you went and asked for a glass of whiskey, would it be sold the same as if you said Irish whiskey or Jameson's whiskey?—No. In some districts it would, but probably not in towns.

2434. But in some districts?—Yes, it would.

2435. Then Jameson's whiskey is not able to drive out the patent spirit?—No; where it is worked like that, where you have no competitor.

2436. Take a public-house where you have Jameson's whiskey and patent still whiskey sold to the same consumer at the same price. If there was a great difference, would you not expect the one to expel the other?—They ask for Jameson and they manage to get it. They will ask for it and have it.

2437. (*Chairman.*) Supposing an ordinary customer goes into a licensed house and he says: "Give me a glass of whiskey"; first taking whiskey generally, and the publican has got on his shelves Jameson's whiskey and patent still whiskey, in that state of things would the publican think it right to give patent still whiskey when the man had asked for a glass of whiskey?—Some of them would.

2438. Some of them would?—Yes.

2439. I quite see what you mean by the rural places and the towns. In the towns do publicans as a rule keep two classes of whiskey?—Yes; some of them do.

2440. What would they do if they had an opportunity of selling that which suits them best in answer to the demand: "Give me a glass of whiskey"?—They would try to work the cheaper, patent whiskey off on to them if they could—some of them.

2441. If the demand of a man was "Give me a glass of Irish whiskey," would the publicans, or some of them, do the same thing and give them patent?—Yes; some of them would.

2442. That is in answer to "Irish"?—Yes; some of them would.

2443. That, you say, is the practice among some of them?—Yes.

2444. Do you ever hear of any of the consumers protesting, and saying: "I asked for Irish whiskey, and you have given me some patent still stuff, and it is not what I call "whiskey"?—They would protest against it.

2445. Do you think that occurs?—Yes; if I gave patent still instead of whiskey to my customers they would object to it.

2446. Is the publican very penitent?—I do not know.

The witness withdrew.

Mr. D. J. Daly.

Mr. Dominick Justin Daly, recalled.

2447. (*Chairman*) I understand you want to put some documents in?—Yes, my lord. (*Handing circular.*) About the question you were asking me, I just brought a circular over that I got immediately before I left home. It has a peculiarity about it. That is taken at random, as the last circular I got before I left, and I presume that a copy of that circular was sent to every holder of a ten-guinea wholesale licence. You will see the numbers 1, 2, and 3.

2448. Apparently they are whiskey merchants or distillers?—No; I should rather call them merchants.

2449. Do they blend?—No; but they handle every commodity in the wine trade. You will see in that, No. 3.

2450. They begin by stating: "Whiskey, blended Scotch," and then the price; then blended by the person, and then the price. Then I see "Self whiskey." What is "Self whiskey"? — One make of whiskey, like Jameson's, or Power's, or anybody else's; one whiskey.

2451. Then I see: "Whiskey, Irish, distilled by the Irish Whiskey Company"?—If you follow that, No. 3, you will find the price is 1s. 10d.

2452. Quite so?—"Irish whiskey, 1s. 10d." Then you will find a very peculiar wording. It is marked "Free on rail" at three places, Belfast, Liverpool, Glasgow. That is very peculiar.

2453. In what way; what is the peculiarity?—That it is open to the construction—I am not saying it is so—that Irish whiskey may be made either in Belfast, in Liverpool, or in Glasgow, at 1s. 10d.

2454. This is free on board—that is all—f.o.b.?—Yes.

2455. It could be sent there? — It might be sent there. It is open to that also. But we know that 1s. 10d. whiskey must be pure patent still whiskey.

2456. Very well; we can draw the inferences for ourselves. We are much obliged to you.

The witness withdrew.

Mr. THOMAS JAMES SHAW, called.

2457. (*Dr. Bradford.*) You are managing partner in the firm of Joseph Shaw and Son, Mullingar?—Yes.

2458. What is the nature of your business?—Well, wholesale and retail wine and spirit merchants, grocers, etc.

2459. You deal in wine as well as in spirits?—Yes.

2460. You have no connection with any distillery?—No, and we have no public bar.

2461. Would you give us your definition of Irish whiskey?—Well, I consider Irish whiskey to be a spirit distilled in the pot still from malted and unmalted barley and other cereals which are capable of being grown in Ireland, or are grown in Ireland.

2462. You do not limit it to the cereals which are actually grown in Ireland?—No, I would not limit it to the cereals grown in Ireland, as long as the whiskey is made in Ireland.

2463. You do not consider that patent still spirit ought to be called Irish whiskey?—No, decidedly not.

2464. Would you be willing to allow the term whiskey to be applied to it?—Well, I do not think so.

2465. Would you give us your reasons?—Well, so far as the patent still spirit is concerned, I have never known it personally to be sold in its pure condition across the counter to the public. I consider it is manufactured or distilled and sold to blenders, who sell it under the name, probably, of "whiskey" to small traders in Ireland, not disclosing, in the majority of cases, the fact of what it is composed of. The situation seems to me to be very largely parallel to the position of affairs a few years ago in regard to butter mixtures, up to the time that the law declared that all butter mixtures should be sold as margarine. Before that, it was possible to mix the butters with varying proportions of margarine, and sell them, so far as price is concerned, to meet the market; and, so far as I can see, patent still spirit in Irish whiskey, or blended Irish whiskey, is used for the very same purpose. It is used to produce whiskey for a price—or to produce an article for a price, I should be more correct in saying.

2466. Your point is that it is a cheap spirit which is used to dilute a more costly spirit?—Yes.

2467. That is your point?—Yes. The law stepped in to declare these butter mixtures should be sold as margarine, and I hope the time has come for the law to declare that Irish whiskey is not a mixture but a sort of special article which should be defined.

2468. Do you base your opinion on the fact that it is cheaper, or do you base it on the fact that it is different in its composition?—I base it on the fact that it is cheaper, and I consider the blends of patent still spirit and pot still whiskey that have been sold in the market are not at all as suitable for public consumption as the old and well recognised pot still whiskies.

2469. I quite understand that, but I want to know what your reason is for that. Is it simply a question of cost, or is it dependent on other matters such as composition and so on? Is it a question of the cost of production, or these other matters?—Well, it is not a question of the cost of production, but from experience I say that the houses which are purchasing these cheap whiskies from blenders, in regard to the whiskies that they sell, have not what you call really a good reputation.

2470. In what way?—The public get to know it very quickly. The persons who drink it who are accustomed to good whiskey think it is very vile stuff.

2471. Possibly; but I want to know in what way. Do you mean in taste or in injurious effects, or what?—Well, I personally am inclined to consider that there are injurious effects as well. I have seen cases from time to time in Ireland of persons getting into a very bad way from small quantities of whiskies—of this cheap whiskey. I believe that it is composed of either patent still, or pot still whiskey mixed, or of young pot still whiskey which has been masked with patent still whiskey.

2472. An addition of pot to the patent spirit?—Yes.

2473. That is what I wanted to bring out. You are of opinion that the patent spirit is used for the purpose of masking new or raw pot still spirit, which is injurious?—Yes. I might possibly make the point more clear. The licensed houses in Ireland may be divided into various classes. All the respectable houses, and houses which look after their trade, will buy pot still whiskey, either by name and by age direct from the distillers, or from leading firms of merchants. So far as I know, the cheap blends to which I refer are only sold to the small houses, and mainly sold for the question of price—sold very frequently at a price which you may term a reduced price. There are many traders—I will not say there are very many—but there is a certain proportion of traders who will be largely guided by price rather than by the article. Suppose, for instance, a firm of merchants are offering whiskey at 12s. a gallon, such a trader would give them an order in preference to the firm which offered him 12s. 6d. a gallon reduced.

2474. You do not think there is patent still spirit consumed as such in Ireland?—No, I do not believe so. I base my opinion on this, that it has never been offered to me, and we cover a couple of counties.

2475. Have you any knowledge of patent still spirit being drunk anywhere without being mixed with pot?—Never.

2476. Without blending with pot still?—Never, and I do not believe it is, so far as the wide area where I reside is concerned.

2477. You do not consider there are any so-called whiskies on the market which consist simply of patent still whiskies?—I refer to Ireland purely and simply, and I have never heard of any patent still whiskey or patent still spirit being sold across the counter by itself.

2478. To go back to a point in your *précis*, have you any knowledge of maize or Indian corn being used in pot stills?—No—that is only explanatory of the definition of Irish whiskey.

2479. I quite understand, but I thought it might mean that you had some knowledge that such a procedure was carried on?—No.

2480. You have no knowledge?—No.

2481. Is it your experience that there is an increase in the custom of wishing to have whiskey labelled with the name of the distillery in Ireland?—Yes, a very large increase. That has been my experience.

2482. Do you think it is at all a common practice for a man, in calling for a glass of whiskey, to ask for a particular brand?—Yes, very, very common—by persons who are prepared to pay a price. The chief prices at which whiskies are sold in Ireland across the counter are 4d. and 5d. Of course, there would be persons who would ask for a glass of whiskey at 4d., and probably be supplied with a cheap article. But then there are a great number who will call for a better article, and call for it by name.

2483. And we may take it that it is common in Ireland for there to be two prices for whiskey when it is sold across the counter by the glass?—Certainly.

2484. In public-houses?—Certainly.

2485. What is the lowest price you would say for a glass of whiskey?—It may be sold in some places at 3½d., but I believe 4d. is the lowest price—4d. is the average price.

2486. And the highest price?—Well, 5d. is also an average price. You may pay 6d., and possibly more, but it depends on the place you go to.

2487. I am talking about what one ordinarily means by across the counter?—You can get whiskey, if you want, say John Jameson 10-year-old, in some of the bigger houses in the cities and places like that—or 12-year-old—I am not sure of the age—at 6d. a glass, in any case. I ascribe that tendency to the fact that the purchasers of whiskey in bottles were keen to see that they got a proper article—a pot still article.

2488. Putting aside the question of purchasing whiskies in bottles, when it is a purchase by the glass you say it is not uncommon for a particular brand to be asked for?—It is very common.

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2489. And a higher price is sometimes paid for that?—That is rather the practice in the district where I come from.

2490. You say here that it is very desirable that steps should be taken that a pure sound article should be offered to the public? What are your reasons for thinking that the patent still whiskey, for instance, is not a sound article?—Patent still spirit by itself?

2491. Yes?—Well, personally I have not much knowledge, except to sample whiskey. I have not much knowledge of drinking whiskey, but it appears to me that with a patent still spirit, if a really good line in the way of self-drinking whiskey, there would be a very large sale for it. There is practically no sale in Ireland, so far as I know, except to the blenders as already mentioned, who buy it for the purpose of selling the compound pot still and patent still as a blend.

2492. You do not think that a mixture of pot and patent spirit should be allowed to be sold as Irish whiskey?—I do not.

2493. In any mixture at all?—No mixture at all. I think it is parallel to the case of the margarine.

2494. Lastly, you think that whiskey should be kept for three years?—I do.

2495. That is pot still?—I consider pot still whiskey should be kept for three years.

2496. Do you think patent still whiskey improves at all by keeping?—I could not offer an opinion on that point.

2497. (*Dr. Cushny.*) I should like to ask you whether you can give us any opinion with regard to the influence on public health. You say here: "It is a matter of the greatest importance in the interest of public health"?—I consider it very important in the interests of the public health, as I have already mentioned, that a pure sound article should be fixed, but, of course, I could not offer very much of an opinion as to what the standard should be. There is no doubt about it that there is plenty of deleterious whiskey being offered, whatever it is composed of.

2498. In your experience, do people get drunk sooner on patent still or on pot still?—I consider they get drunk quicker with the cheap blends which are being offered in the market. The composition of those blends is not disclosed by the blenders as a rule. In fact, I know a case in which inquiry was made, and they said they sold it by sample, not by particulars.

2499. The blend then is more intoxicating than the pot still?—I believe, speaking generally, that the cheap blended whiskey that I refer to is more intoxicating.

2500. Do you know if there is any greater craving for the patent still than for the pot still?—Well, I could not answer that question.

2501. You have not noticed that?—No. Of course, there are grades of pot still whiskey. Four-year old pot still whiskey is very different from seven-year old so far as taste is concerned; so far as mellowness and general taste are concerned.

2502. Do you think a person wants to drink more patent still than if he got pot still? Is the patent still less satisfying than the pot still?—So far as I know there is no patent still sold by itself in our country.

2503. Call it a bad blend then?—I will not say it is less satisfying. The position is this. There are many small houses in rural districts where any person who wants to take a drink of whiskey must take what is offered to him if he goes into one of these houses. The same thing applies, I suppose, to places in England. If he is able to go to what you call a leading firm, or into a substantial, respectable house, and calls for a definite brand or name, very likely he would get it. If he is out in a country district, perhaps five or six miles from a town, and he goes into a small public-house, he will very probably get one of these cheap intoxicating whiskies. Speaking of them, I believe they are more deleterious to him than if he got the other article.

2504. What I wanted to get at was what you meant by deleterious, and what evidence you had on it; but that, I understand, you cannot give us?—Well, I consider that a strong, fiery, raw whiskey is more deleterious, although I cannot say from the chemical point of view. It is more deleterious, say, than a mild old pot still whiskey of a good character, and the public consider that is so because they pay the higher price for the latter. The price is relatively very much higher.

2505. Is the blend hotter than in the pot?—These cheap blends I refer to belong, as a rule, to the fiery, raw variety.

2506. That is simply a question of newness?—Yes, very largely a question of newness.

2507. As we understand, the patent still spirit is less fiery than the new pot, as a matter of fact?—So I understand, but then the patent is blended with the pot, so as to mask it. At the same time, I do not think it conceals the fieriness completely.

2508. It is the raw pot with which it is blended which really makes the mixture hot and fiery?—Of course, it has that effect.

2509. (*Dr. Adeney.*) You have no doubt, as I have myself, heard in Ireland that an immature crude whiskey makes a drinker who consumes a little too much more violent than a good mature whiskey taken in a similar quantity would?—Yes.

2510. You have heard that said?—Yes. There is no doubt about it.

2511. You have no reason to doubt it in your experience?—I have no reason to doubt it. That is the reason why I consider all pot still whiskey should be three years in bond.

2512. You know that yourself?—Certainly; I know from testing samples of whiskey one year old, two years old, and three years old, that there is a very marked difference between the pot still whiskey of those ages.

2513. You think there is really some ground for the bad reputation, so far as effect on the consumer is concerned, which the immature, crude whiskey has?—I think that pot still whiskey matures in three years; it does not become what you call a really good drinking whiskey until it reaches the age of three years.

2514. It is not safe for potable purposes?—I will not say it is not safe for potable purposes, but it is not palatable for drinking purposes.

2515. I suppose you would not regard the ordinary man in the street as an expert on the quality of whiskey?—I think they are very well posted. A good number of them would know the difference between whiskey that would please them and strong whiskey.

2516. They would know the difference between strong whiskey, but would they really distinguish between a self pot still whiskey and blended whiskey, do you think—I mean the ordinary consumer who went in to a public-house for a glass of whiskey over the counter?—In our district, a very large quantity of the whiskey sold is the manufacture of Messrs. John Jameson & Sons, and I believe persons who are accustomed to drink their whiskies would be able to distinguish them from whiskey such as you describe.

2517. I suppose one must admit that, but suppose you are dealing with a locality that has not had that happy experience of Jameson's mature whiskey?—My experience has been, in the course of the last ten years, that good pot still whiskey in the bottle is spreading practically into almost every one of the smaller shops which used formerly not to keep it. They buy it in the bottle. We do a very large trade, as a matter of fact, in bottled whiskies bearing the name of the distiller.

2518. What I wanted to lead up to was this: Is there anything in the point which is made sometimes in Ireland that these cheap blended whiskies are really being traded upon the ordinary consumer on the reputation of the old pot still whiskey?—My experience of these whiskies is that they are largely purchased by small houses, in the first instance, by people who may not be in a very strong financial position, because the blenders will give credit in many instances on duty-paid lines, and a man who may be in a weak financial condition would be glad to get perhaps a couple of months' credit on duty-paid whiskey, and pay a long profit to the blender. They rather hope to get it. Any person, on the other hand, who is in a strong financial position, doing any sort of business, would see he was getting the right article, and would buy it in the wood from a distiller.

2519. I take it the weak financial man would be able to get rid of the inferior spirit. He would be able to sell it?—He would be able to sell it.

2520. Does he trade on the ignorance of the consumer, or does he trade against the protest of the consumer?—His customers would not be of a fixed nature. Two parties would meet together, and they may say, "Come in and have a drink," and they would go into a public-house, and it is when they have drunk the whiskey that they find out what it is, and they say, "We will not go there any more."

2521. (*Dr. Horace T. Brown.*) You have stated the retail prices for whiskey in your district as 4d. and 5d. per glass?—That is on the average.

2522. It goes down a little lower than that, but we may take it from 4d. to 5d.?—You may take it from 4d. to 5d. as the average.

2523. I suppose in that which is sold at 4d. there is a larger proportion of the patent still spirit?—Yes, whiskey which is generally sold at 4d. is very probably not called for by any special name.

2524. Would not you infer from that that the cheaper spirit is used?—Not necessarily at all. Whiskey that is sold at 4d. a glass in a good class public-house will be a whiskey that will not be a very high-class whiskey. Though possibly in some instances it may be Messrs. Jameson's, in the majority of cases it would be other pot still whiskies.

2525. I understood you to say that there were publicans who kept both kinds, to satisfy their customers?—Certainly.

2526. Which they would sell at 4d. or 5d. a glass, as the case may be?—But different whiskies.

2527. In the case of the cheaper one, that would imply, would it not, that there was a certain amount of patent spirit in it?—No; not necessarily. There is not very much patent spirit, or blended whiskey containing patent spirit, sold in our district at all.

2528. Where it is sold, is it not sold at a cheaper rate?—No; it is not. You mean the small houses, that would buy this blend of whiskies which I referred to, when they are retailing it, sell the whiskey at 4d. a glass. The only place where it might be sold at $3\frac{1}{2}$d. would be in some competitive place.

2529. Do you not think that the whiskey which is sold at a lower price contains a larger proportion of patent spirit?—Not at all. As I have already mentioned, the quantity of blended spirits containing patent spirit sold in the district I come from is not by any means large.

2530. It has been stated this morning, by one of the witnesses, that the use of the patent spirit does not imply any cheapening of the product to the consumer?—I do not believe it does.

2531. I understood your prices of 4d. and 5d. were due to the fact that one was mixed with patent spirit and the other not?—Not at all.

2532. You say that is not so?—Not at all. If a person goes into a public-house and calls for a glass of whiskey—I mean in a good-class public-house—he will be offered the product, as a rule, of some well-known pot still distiller, and then he will not be charged 5d. unless he calls for it by a special name. If he says: "I want a glass of John Jameson, Three Star," then he will pay 5d. for it, and in many houses he will possibly pay the same price for the article, "One Star."

2533. You think the difference in one price goes entirely to the advantage of the dealer or the publican, and not to the advantage of the consumer?—I cannot see how that comes in.

2534. I mean this: Where a blend of patent still spirit is sold that can be bought from the merchant at a lower price, who takes the advantage of that difference?—The publican.

2535. The consumer does not get the advantage in any way?—Not the consumer, in any shape or form. It is the people who are doing the small trade, and who would want to get a substantial profit out of it, who would probably pay a lower price, in order to have a larger margin.

2536. Your mentioning two prices to the consumer led me to infer that he was obtaining the patent still product at a cheaper rate?—No, it is not a question of that.

The witness withdrew.

Mr. James Quin, called.

Mr. J. Quin.

2537. (*Mr. J. Y. Buchanan.*) You are managing director of the firm of John Quin and Co., of Limerick?—Yes.

2538. You have been over 30 years in business, I understand?—Yes.

2539. Your firm has existed for over 70 years?—Yes.

2540. You are wholesale and retail grocers and wine and spirit merchants?—Yes.

2541. Do you sell all kinds of liquors, wines, and foreign spirits, as well as home spirits?—Quite so.

2542. I suppose you supply publicans in your district with whiskey?—Yes.

2543. What is the principal demand in your district? Is it for pot still whiskey?—Well, I may say practically speaking altogether pot still, and for consumers—I may say for a period of 20 years—the public taste has been gradually going in for what I may call the very best kinds of pot still.

2544. In Limerick and all round?—In Limerick and the counties round about.

2545. Is there much spirit imported in your district—what we would call whiskey? Is much whiskey imported into Ireland from Glasgow or outside Ireland?—I do not quite follow you. Do you mean imported from Scotland?

2546. Do you handle yourself whiskey other than what is distilled in Ireland?—We do.

2547. For your Irish customers?—For our Irish customers.

2548. May I ask where that comes from?—When I say we get it from outside places I mean sometimes we get it from ——. I presume you are alluding to patent spirit?

2549. I was going to ask you afterwards if you ascertain, when it comes from Scotland, whether it is patent spirit, or if it is Scotch pot whiskey. Do you distinguish between the two?—Of course I do.

2550. Do you import into Ireland much Scotch pot whiskey?—No, very little. We import a little, but it is only in a spasmodic sort of way. Sometimes we buy what you may call a cheap pot in Ireland from an Irish distillery, and sometimes we import a Scotch pot from Scotland, which is made, practically speaking, to resemble an Irish pot, but the trade for this is really a trade which is a very small and a steadily diminishing one. It is a trade which I do not like to encourage. I find in Ireland that the best way of improving business is to sell a good article and get a fair price for it, but we will occasionally be asked to supply an article for price generally in some mountainous district, or by the sea shore, where the persons are very far removed, I might almost say, from civilisation, or far away from the railway, and where I suppose they consider they are entitled to get a bigger profit, and on the principle that the wild country people can afford to drink a lower class of article.

2551. Then I take it the Scotch pot which is sometimes imported is cheap?—Well, it is an inferior kind of Power's or Jameson's.

2552. Is it about the same price as what you would call the inferior Irish pot?—About the same price.

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2553. Do you find it is deleterious or has the whiskey any marked effect in the way that it affects the drinker?—You are alluding to the pot?

2554. Whether it is a cheap Irish pot, or a cheap Scotch pot, do you find for instance if it is blended with a first-class Irish whiskey like Jameson ——?—We never would blend it.

2555. I do not suppose you would, but would that deteriorate it, or would it have a greater effect on the drinker?—My feeling is this, the better the whiskey the better the effect it has upon the drinker. The more wholesome it is certainly the more pleasant it is. My own feeling is that pot still whiskey is a very much healthier spirit than patent whiskey.

2556. What do you ground that on?—Well, I ground it upon, perhaps I might say, a little bit of personal experience, and also from what I hear from those around. Sometimes in Ireland, especially in the cold weather, we take what is called punch; that is, what you call toddy; that is to say you get a glass of whiskey and you put in a lump of sugar, and you add some hot water to it. I think the effect of that is to bring out the qualities of the whiskey rather more than when you use it with cold water. Anyway, the after effects are more apparent. I have tried when I was out of Ireland some whiskey which was a blend of patent and pot, and I must honestly admit I had a little bit of a head next day.

2557. You think you would not have had one if you had had first-class pot whiskey?—I am quite certain. I have tried Jameson's whiskey—I generally drink Jameson's and sometimes Power's—and I have tried the same proportion of whiskey in hot water, and I have not had a head.

2558. Can you bring it down to figures at all as to the comparative amount of patent spirit in this whiskey which would produce this deleterious effect?—I am alluding to one glass of whiskey in each case. I go upon it this way: It is a bit of personal reminiscence, I suppose you might say, but it illustrates the point. We have a club in Limerick where pot still whiskey was always used until some time ago when some whiskey was introduced which I was absolutely satisfied contained a certain proportion of patent spirit—a small proportion, I believe—with a greater mixture of Jameson's, and friends complained to me that they used to have a little bit of a head next day, and the whiskey was dropped.

2559. Do you ascribe that to the mixture of patent still in it?—I think so.

2560. Is it not the case that patent still whiskey contains fewer ingredients in addition to what we chemists know as ethylic alcohol—that is, alcohol—than in the pot still?—Of course, I am not a chemist, and you are taking me on a point upon which I find it very hard to answer you. I am quite satisfied, if you tell me so, that it is the case.

2561. In any case, if you take pure patent spirit, it has a less flavour, as you say?—Certainly. It is more neutral.

2562. That we may take it can only come from the absence of secondary products?—I should say so.

2563. And those secondary products are due to the secondary method of preparation and distillation?—I should say so.

2564. In the patent spirit, the mixture is distilled under the influence of naked steam, which cannot be higher than a well-known temperature, and it does not get the secondary products, whereas if you use a fire, there is always a certain portion of the burning which gives you empyreumatic constituents—what they call brandy burning—it is rather a burnt product, though I do not wish to throw any blame on it?—You are taking me out of my depth, I am afraid. I cannot swim in those waters.

2565. At any rate, you attribute the superiority of the pot still to these products which are not taken up in the patent still whiskey and are not found in it?—That would be my idea; but, of course, as I say, I am not an analytical chemist, and it is hardly fair to ask my opinion upon those scientific points. I would like to ask you, really more as a matter of personal opinion rather than anything else, supposing you had got pure alcohol, freshly distilled, I presume that would be, practically speaking, absolutely pure?

2566. It would depend what it was made from?—It would be, practically speaking, pure?

2567. Yes?—Would that be a good and wholesome beverage, because I certainly should not like to take it myself, and I imagine that I should not feel very comfortable after taking it?

2568. I think that is a matter more for medical opinion?—Quite so.

2569. Personally, I cannot give you that. As to the patent still whiskey, we have heard from other witnesses that it matures very much quicker, that is to say, it arrives at a state of maturity beyond which it does not improve much further?—My opinion is that patent still spirit improves very little. I think perhaps it gets a little bit mellower, rounder.

2570. As to pot still whiskey, how long would you insist on its being kept before drinking it?—I think pot still whiskey ought to be kept for three years.

2571. Three years, you say?—At least. I mean some whiskies might mature a little more than others.

2572. If you wanted to sell it in a country where the people are poor, and you wanted to give them a whiskey for the lowest price and the best quality, would you not say it would be preferable to give a mixture of pot still with patent still than immature pot still whiskey; that is to say, pot still whiskey that had not been kept long enough?—Well, I think that is a very difficult question to put. I do not think either would be good. I hardly know how to answer that question. I am only speaking from my personal experience. I have never known patent still sold by itself, but as to the mixture that you describe, well, I think it might taste more palatable; but I do not think that patent still whiskey, from my experience, is a wholesome spirit. Of course, I do not like to offer an opinion too strongly upon this point, because I am not a doctor and I am not a chemist. I am only giving you an expression of my personal opinion.

2573. In your part of the country, is there a good deal of illicit whiskey made?—I do not think so.

2574. Of course, it is not known?—I do not think so.

2575. I have heard it said that there is a great deal of very deleterious effect produced in country districts from the sophistication of legitimate whiskey with that of the illicit still?—The illicit still—that is what I should call potheen—that is spirit which has never paid any duty to the Crown.

2576. Yes, which has not paid any duty?—Not in my district. I do not believe, within my recollection, within 50 or 60 miles of Limerick, that any potheen whiskey is produced. I think very little potheen whiskey is produced in Ireland now—very, very little. There might be in some outlying western districts, like Donegal, but that is out of my range altogether. There may be some, of course, but I am not aware of any, and I do not believe there is any within my district.

2577. I suppose you will admit if you were going to blend whiskey, with a view to reducing the price, it would be less deleterious to the consumer to have patent spirit in it than potheen?—Well, my knowledge of potheen is nil, I may say; and I do not like to offer an opinion about a thing that I do not know about.

2578. You are not a distiller yourself?—No.

2579. You do not, I suppose, inquire any further about it than this. You know that pot still whiskey is made from malt and barley, but you do not make it a question, in buying your whiskey, whether there may not be oats and things of that kind used in it?—I do not. I buy, to a very large extent, upon the reputation of the distillers. In fact, a great portion of my trade consists in what you may call the best brands, which really sell themselves.

2580. You think that nothing should be sold as whiskey except what has been made in the pot still?—I am quite satisfied. First of all, I may say that 19/20ths of my customers get nothing but pot still whiskey, and the balance of my trade, in which I sell a little of this patent spirit mixed with cheap pot, is simply in outlying districts, where it is considered that anything is good enough for the people.

2581. Quite so?—The taste of the Irish people in my part of the country is increasingly difficult as

regards drinks. In England I think that you are very much better fed than we are, but in regard to our drinks we are very much more particular. As a rule I think the tea you get in some places in England is shockingly inferior, and the whiskey that is sold as Irish I do not like to say anything about.

2582. I suppose in Ireland there are plenty of people who would find 4d. a glass rather more than they could pay?—No, I should say not. I would say that the average price in Ireland would be 4d. a glass. Of course, I ought not to say Ireland, but I ought to say in the portion covered by myself—that is, the country round about Limerick. I can offer no opinion as to what takes place in the North of Ireland—I know nothing about it. But the average—in fact, almost the general price—in my neighbourhood would be 4d. If a man is a little bit what you might call a connoisseur, and wants something special, he will go and pay 5d. I should say outside the large towns, for instance, such as Limerick and Cork, and places like that, you hardly ever get a glass of whiskey at less than 4d.

2583. I suppose there is a good deal of dilution of whiskey with water before it comes to many of the consumers in the poorer districts?—Of course, to a very large extent, that is regulated by the Government. You are not allowed to reduce the whiskey below 25 under proof unless you specially tell the people that it is so, and see that it is marked on the bottle, and there are certain other regulations. So you may take it for granted that, practically speaking, the strength that is given to the public is always, say, about 18 to 20 under proof.

2584. Then the only way that a supplier of whiskey to the public has of reducing the price he has to pay for it is by using pot still of a less age, or mixing it with patent still?—I should say so.

2585. In order to have what may be called whiskey, but will not cost so much, because it has not been kept?—Yes.

2586. That is the only way?—That is the only way. You must take this into consideration. I always think that in business you want a fair amount of profit, and if you take the cost of a really good Irish whiskey, say four or five years old, and then reduce that to 20 under proof, and see how much it costs you—of course, you are only paying the duty upon the amount of alcoholic strength that goes out—you find that that can be worked out, roughly speaking, at 14s. or 15s. If you want very fine whiskey you can pay more, but you could get very good pot still whiskey with age for that. I am talking of the publican who will buy from a merchant like myself. He can work it down, I should say, to about 14s. or 15s. a gallon, and if he sells it at 4d. a glass——

2587. (*Dr. Horace T. Brown.*) What strength?—About 20 under proof. The duty upon that would be 8s. 9d.

2588. I think it is 9s. 6d. You said 20 under proof?—20 under proof, proof being 11s. A fifth of 11s. would be about 8s. 9d.

2589. (*Dr. Adeney.*) About 9s.?—No, it would be under 9s. It is rather hard to do figures in one's head, but I think it would be about 8s. 10d.

2590. (*Dr. Horace T. Brown.*) 8s. 9d.?—No; what I am alluding to is this. If a person buys from me Irish whiskey at 8s. a gallon—supposing it was four or five years old, it might run to 12 or 15 over proof; I daresay about 15 over proof—you reduce that 8s. on the same comparison from 115 to 80, and so you get it down to the standard, and then I say add 8s. 9d. duty to it, and I think it would work out at 14s. or 15s., so that the person has really no inducement, to my mind, if he gets 4d. a glass to sell anything but a good sound pot whiskey with age.

2591. (*Mr. J. Y. Buchanan.*) Do you think it would be an advisable thing to make it compulsory that all whiskey should be kept a certain time in bond?—I think so.

2592. How long do you think?—I do not think any pot still whiskey is at all mature until it is about three years old.

2593. You would make patent still whiskey be kept in bond the same time?—Of course, that is a little bit difficult for me to reply to. As I said before, I consider that patent still whiskey improves very little. When I say that patent still whiskey is neutral spirit, I would like to slightly qualify that. I think there is always a certain faint, and I think an objectionable, flavour to patent still spirit, and though that flavour gets fainter as it has been kept, and though the spirit gets rounder, I think the trail of the serpent is always over it.

2594. (*Dr. Adeney.*) I think you come from Limerick?—Yes.

2595. Have you any distilleries in Limerick?—We have one, but it is not working very satisfactorily.

2596. Is it a pot still, or a patent still, distillery?—I think it is a pot still.

2597. Has it any trade in the surrounding districts?—Very little, I think. It is owned by a Liverpool man. I think the products mostly go there—well, I do not like to say anything about it. I do not do anything with it.

2598. You do not deal with?—I do not deal with it.

2599. Do I understand you to regard all blends of pot still and patent still spirits as injurious?—I think that a patent spirit is not a good spirit. I am only offering my opinion with every deference to the Commission.

2600. I do not want to ask you anything you do not know, but with regard to the pot still ingredients, do you think that the immature crude pot still spirit would or would not be more harmful than patent still spirit?—Well, I hardly know.

2601. You do not wish to express an opinion?—I should not like to drink either.

2602. You have been referring to different classes of consumers, as to their powers of differentiating in the fineness of whiskies. I suppose a private consumer is more difficult to deal with, that is to say, he requires better spirit than some of these consumers in the outlying districts?—Not always. I have known very tiny villages some 30 or 40 miles outside Limerick in which the very finest whiskey has been sold.

2603. Probably that is the result of a very considerable experience in the past with potheen?—I do not think so. The question of potheen was sprung upon me, to my very great surprise, because I cannot ever remember any potheen still existing within any measurable distance of Limerick.

2604. I can understand that it would be hardly a district that would give encouragement to it?—It is very fine land, and I suppose we consider ourselves civilised up to a certain extent, and I think the police are very vigilant.

2605. You told us some personal experiences as to the ill effects of these blends from your personal observation. Are those observations of yours general, do you think?—I think so. In answering the question before, I tried to get out some concrete points to give you, and I think there is distinctly an objection—I suppose I might say a well-founded one—to patent still spirit in my part of the country. As I say, the tendency with us is to go in really for a very high-class type of whiskey. I will not commit myself, because it is more a sentimental point with me; personally I would like to do trade which is considered a reputable one.

2606. You have spoken of purchasing at times cheap pot whiskey. What do you mean by cheap pot whiskey?—Of course, at a price.

2607. What does cheap pot whiskey mean? Is it immature whiskey, or is it a bad flavoured matured whiskey?—To a certain extent it would not be sold as the ordinary whiskies that we would sell such as Jameson's or Power's. We hardly ever sell them except at the least four years old, but this whiskey that we mix with patent spirit would be, I should say, not more than a year and a half old.

2608. I may take it that the cheap pot is comparatively badly flavoured?—Well, it is not well flavoured.

2609. Is not that indifferent flavour masked by the blending with the patent still spirit?—Of course, we buy the pot as pot. I presume it is pot, and I believe it is pot. I believe it is made in a pot distillery.

2610. Do you blend it with patent still?—To get it cheaper still.

2611. Not to mask any ill-flavour, but to get it cheaper still?—That never occurred to me as a matter

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of fact. My idea was to get it done as cheap as I could to meet a demand which was forced upon me.

2612. (*Dr. Horace T. Brown.*) You say that you supply small quantities of mixture of about half pot and half patent?—Yes.

2613. You do not invoice it as Irish whiskey, I see; but, may I ask, do you sell it as whiskey?—I think so.

2614. You would allow that term to be used for mixtures of patent spirit and pot still?—If you ask me personally I would rather not.

2615. But you do it?—But we do it.

2616. And others do it?—Others do it. That is just the point. The thing is forced upon us. We have to do as others do at a price.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

SIXTH DAY,

Wednesday, 18th March, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. WILLIAM PHEYSEY, called.

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2617. (*Chairman.*) You are, I believe, manager of the Wine and Spirit Department of the Army and Navy Stores?—Yes.

2618. They have depôts in Victoria Street and other places?—Yes.

2619. Your turnover in that department is very considerable, I believe?—Very large indeed.

2620. I believe you have had personal experience of the wine and spirit trade yourself, and your family before you, for a great many years?—Yes, myself for 45 years.

2621. Will you tell the Commission in what form your stores deal in whiskies: is it in cask or in bottle, or how is it?—We sell in bottle, in jar, and in cask.

2622. I suppose your sale is mainly to subscribers, members of the Army and Navy Stores?—Yes, almost entirely.

2623. That has a wide area?—We have 80,000 members of all classes.

2624. You sell, I believe, both Scotch and Irish whiskey?—Yes.

2625. Of course, there is a well-defined difference to you between Scotch and Irish?—Yes.

2626. Which is your greater trade in?—In Scotch.

2627. Has there been any change at all in the relative proportions of the two quantities?—Yes, the sale of Scotch whiskey has increased, and the Irish whiskey has decreased.

2628. I will deal first with Irish whiskey. What, in your view, is Irish whiskey, and what is it that Irish whiskey ought to be?—My opinion is that Irish whiskey should be distilled in a pot still from mixed grains according to the formula of each distiller. Each distiller has his particular recipe or formula upon which depends his style.

2629. You say according to the formula. Does formula mean the proportion of ingredients?—It means the proportion of malt and other mixed grains.

2630. First of all you say it must be made in a pot still?—Yes.

2631. Are you catholic enough to permit of any blending?—For myself and my own business I do not, but I do not see that there is anything wrong in selling a blend with other spirit, always provided that you acquaint your customer with the fact that he is receiving a mixture, and what that blend is. It should be stated on the label and also on the invoice.

2632. I suppose you would say that the blend must come within certain conditions as to proportion?—I should say so certainly.

2633. You have spoken of your forty years' experience. Has the distinction between pot still and patent still been known to you during those years?—Yes.

2634. During the whole of them?—Yes.

2635. Do you admit into your traffic at the Stores any patent still product?—Quite recently, since this discussion came up between the pot still and the patent still, I made an essay as to whether the public or the consumer really would take the blend that we had made.

2636. First of all, will you deal with pure patent still. Have you had pure patent still unmixed and unblended for sale?—No.

2637. What you are speaking of is a blend?—Yes.

2638. Will you be good enough to give us the result? First, what it was you attempted to sell, and what it was you succeeded in selling?—We attempted to sell this blend of grain and malt because we were told pretty emphatically everywhere that the public demanded it, and so to prove the fact to my satisfaction I made this blend. I described it on the label, and the result has been an absolute failure as regards business. I do not think we have sold equal to much more than three-quarters of a butt of either of them since we put them on the list six months ago.

2639. Will you give it to me, if you can, in bottles, or dozens?—That would be about 430 odd bottles.

2640. They were different kinds of blends?—Yes, two.

2641. Over what period did that extend?—Six months.

2642. Were you offering it to the public during the whole of those six months?—Yes.

2643. You say about 430 bottles?—About 434 bottles.

2644. Of both quantities?—Yes. We tried a Cambus which was extensively advertised, and people came to

us and asked for it, and we obtained it whenever it was asked for without saying anything to prevent persons exercising their own judgment, and we sold in the same period equal to 24 bottles only.

2645. What does the Cambus represent to you and the public?—Plain spirit.

2646. A blend?—No, plain grain spirit.

2647. Plain patent still?—Yes.

2648. How much do you say you sold of the Cambus?—24 bottles.

2649. When you were selling this what did you contrast it with? Were you contrasting it against your sale of what you call pure Irish whiskey?—Yes.

2650. How did you let the public know that you had got the Cambus?—I am speaking of Scotch whiskey only.

2651. I asked you whether you contrasted it with your Irish whiskey?—No.

2652. You did not introduce this product into your Irish sales at all?—No, not at all.

2653. Do you know whether there is any patent still whiskey known in the Irish whiskey trade and sold as such, either blended or pure?—I have never seen any.

2654. You do not know of it?—Personally I do not know of it.

2655. You have never had any demand for it?—No.

2656. Now you told me this was sold as a Scotch blend?—Yes.

2657. What application was made to you for it? How did you let the public know that you had got it?—We issued it in our circular, first of all, and we have continued the advertisement in the little lists.

2658. I see you have headed it quite plainly: "Whiskey. Scotch malt and grain blend"?—Yes.

2659. "Average price per gallon, 17s. 6d." How does that compare with pure pot still whiskey in price?—In price it is cheaper.

2660. How much?—I have not made that calculation.

2661. Can you give me your price list?—Yes (*handing list*).

2662. I see in this list: "Scotch special blend, pure malt only." That is cheaper. That is 16s. 6d. Does that depend upon its age?—Yes.

2663. The average age of the 17s. 6d. is nine years?—Yes.

2664. That makes all the difference?—Yes.

2665. Then there is "Pure malt, 9 years, very old." That, I see, is 20s. a gallon?—You can compare the malt and the grain blends. "A," average age 9 years, is 38s.

2666. I was taking the gallon?—17s. 6d., as against No. 4, very old, which we sell at 20s. Those are practically the same ages.

2667. What do you say occasions the difference in price between the 17s. 6d. and the 20s.?—The cost of the grain spirit is cheaper.

2668. Do you blend, or do you buy it blended?—We do buy plain old grain.

2669. And then blend?—Yes, and then we blend ourselves in the proper proportions, as stated on the label.

2670. Would it be asking too much if I asked you to tell us what were the proportions of this which is listed at 17s. 6d. a gallon?—The proportion is 65 per cent. of spirit made in a pot still from malted barley, and 35 per cent. of spirit made in a patent still from grain.

2671. If that is so, there is nearly two-thirds to one-third?—Yes.

2672. The difference in price must be very considerable to create the difference of 2s. 6d.?—Yes, it is.

2673. You have only the one-third to make the saving on?—Yes, I may mention another thing, that although we describe No. 4 as only nine years, it is practically nearer 11 years, but we always wish to be on the right side, and that is really nearer 11 years than nine years.

2674. Among the things that you have handed in there is a little kind of ticket which is headed "Scotch whiskey" in large letters?—Yes.

2675. Then you have your marks, and then you proceed: "This bottle contains a blend of malt and grain whiskies made in Scotland in the proportion of 65 per cent. of spirit made in a pot still from malted barley, and 35 per cent. of spirit made in a patent still from grain. Average age 8 years. Strength approximately 15 under proof. Six bottles to the gallon," and so forth. There is no question arising in your mind as to the right to call this blend "Scotch whiskey"?—No.

2676. Is this the only proportion of blend that you have made or have you tried any other proportion?—Yes, in "B" there is a proportion of 70 per cent. of spirit made in a pot still from malted barley, and 30 per cent. of spirit made in a patent still from grain, and the average age is 12 years. The difference is in the age of 12 years.

2677. You made a slight difference in what you call the ticket between the 65 per cent. and the 70 per cent.?—Yes.

2678. Did you, before making this blend, and making this experiment to the public take any advice as to what would make a sound whiskey fit for your institution to issue to the public?—I simply made it up with the intention of competing with the well-known proprietary articles.

2679. What do you mean by that?—By proprietary articles I mean such as Buchanan's, Dewar's, Walker's, and these well advertised brands.

2680. Had you heard that that Scotch whiskey had met with complaints?—Yes.

2681. Then you entered into competition?—Yes, as a test.

2682. I suppose these firms were known firms?—Yes.

2683. They were successful with particular blends?—Yes.

2684. How was it that you came to fail?—I cannot tell you.

2685. Do those firms that you have mentioned trade in the English market?—Yes.

2686. In the same market that you do?—Yes, and we sell them when asked for.

2687. That is in the quantities that you have mentioned?—No, we sell these proprietary articles.

2688. As blended?—Yes.

2689. Do you sell them as agents?—Yes.

2690. Why do they not appear in your list?—Because we make it a plan not to list more proprietary articles than is absolutely necessary.

2691. If you are selling the proprietary articles that are blended more or less like your experimental article it now becomes important to see how the public will take them. It is the same article. How much do they take of it from you?—They take of Buchanan about 400 cases a year.

2692. What is a case?—Two dozen.

2693. Is Buchanan's the largest?—Yes.

2694. Of course there are, like Glen Livet and Spey Side, pure pot still whiskies sold in the market. Is a comparatively large portion of this what you call proprietary whiskey sold as Scotch whiskey?—In England, yes, a very large portion.

2695. As you sell this you must have some practical power of testing it. What do you say as to this whiskey that you are selling, both the proprietary whiskies and those on which you made the experiments? Do you think it is a fit article to place before the public?—Certainly.

2696. Is it detrimental in any way to health?—No.

2697. Of course it is pure. It is not adulterated in the sense of the word "adulteration"?—No.

2698. What should you say would be the effect on the consumer of this article as compared with the pure pot still?—That, my Lord, I would rather not say anything about, because I do not profess to have any knowledge on that subject, and I must leave it more to medical men to speak on that matter.

2699. Did you ever hear of any complaints of any purchasers of your experimental quantities?—No, no complaint whatever.

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2700. We have heard it said that there is a craving for more. Is there any special mode of distinction between the two that you could give us without going into detail?—I think myself from what I have seen and heard with regard to the blended mixture of the patent and pot that people can drink more with apparent immunity of the blended article than they could of the pot still whiskey.

2701. Is that because it is not so strong?—No, the pot still has the defects of its qualities. The pot still itself, unless it is well matured, is very likely to upset the stomach.

2702. It is higher flavoured?—Yes, it is very much higher flavoured, and it contains all the so-called impurities, which develop in time into quality. A person drinking, we will say, three glasses of pot still whiskey might possibly complain next morning that his stomach was a little bit upset, but if he took a blend of the plain spirit with it, the pot still, of course, has been so much diluted with alcohol that the effect upon his nervous system is not so apparent, but it may be later on.

2703. Then on which side do you say the balance is?—I say the pot still.

2704. Why? He is upset by the pot still?—He is upset, certainly, if he takes too much.

2705. But taking equal quantities?—He would not feel it so much; in other words, that man could get intoxicated on plain spirit, and it is doubtful whether at the moment it would affect him so much as the pot still.

2706. In the Stores, I suppose, you sell it in bottles?—Yes.

2707. Is it generally one bottle, or in quantities?—One, two or three bottles.

2708. From what you know of the habits of your customers, and so forth, do you think that the bulk of them do know the difference between pot still and patent still?—Yes.

2709. You think so?—Yes, the sales of our pot still whiskies are enormous.

2710. I know, but supposing, taking an ordinary customer who comes in and asks for whiskey, you say, "Will you have a pot still or a blend with patent?" what would that convey to the ordinary customer, do you think?—I think he would say he would take the unblended.

2711. Until lately has there been much discussion, do you think, by the ordinary public, as to the difference between pot still and patent still?—No, I think before the Islington prosecutions there was very little discussion about it. Of course, people in the trade were rather wondering how far it was to be allowed to go, but beyond that, amongst the members of the public themselves, I do not think there was much discussion.

2712. Of course, there were certain persons who must have known of the Committee of 1891, when there was a very long discussion on this particular point. Of course, you must mingle with your customers, and what I want to know from you is this, do the public know the difference between the pot still and patent still whiskies?—No.

2713. If they came in to you, and you yourself had an interview with anybody on the subject, and said to them, "Will you take a gallon of whiskey blended at 17s. 6d., or will you have pot still pure at 20s., both of the same age?" what would guide them to a decision?—I think the fact that it was pot still.

2714. Do you not think the difference between 17s. 6d. and 20s. would guide them?—No.

2715. It may be that they would think the cheaper article was an inferior article?—Our experience is that the better articles sell better.

2716. The better the article, the better the price?—Yes, in a very much larger proportion.

2717. Of course, if the same person could afford it he would rather take a dear wine than a cheap wine?—Yes, but the tendency is, in wines and spirits, for people to take the more valuable and better article. That is our experience.

2718. I have got from you your practice and the price. Of course, customers who come to you at the Stores would be persons of a certain position who would not contest the question of a very small difference in price?—No, not at all. We have very poor customers. We have people in all classes of life from, we will say, the sergeant or corporal to the colonel. We have all classes who come to us, poor and rich, and I think I may say that the bulk of our people are not rich people.

2719. Do you supply publicans at all?—Only in one case, and that is in the country, where we supply a house which is run by an officer on his own estate. We supply him with goods, and we also supply the Union Jack Club and places like that. Those are the only places that we supply.

2720. Then you would know nothing as to the further retailing, if it were sold in a public house, as to how the charges are made there for the different grains?—No.

2721. If you do sell this blend, I gather from what you have told us and shown to us that you do feel it necessary to inform the purchaser of what he is buying?—Certainly, I fancy that is the reason why he does not buy it.

2722. If a purchaser comes to you, is it your practice to make your officials give these little labels or tickets that we have here into the hands of the customer so that he can make his choice? I suppose when you were making your experiment you did that?—No, but books are left on the tables in the office and the salesman is consulted. He has explicit orders on no account to try and deceive people in the slightest way, but he is to give all information as truthfully as he possibly can, and it being on the bottles as well as in the price list, there is no possible chance of the consumer being deceived.

2723. I quite appreciate that. You put the price list on the tables and let the person who is purchasing consult them?—Yes; anyone can pick one up.

2724. For a time at least this sale of yours of the blend was experimental?—Yes.

2725. And so far as your customers are concerned that blend must have been a novelty to them?—Yes.

2726. Did you find you had any complaints from them? Did they come back and make any complaints as to what they had been purchasing?—No, none.

2727. But they did not purchase much more?—No.

2728. Was there any reason given for that?—None whatever.

2729. What do you think was the reason?—I think the reason is that they were told so plainly what the blend was. Of course, ordinary proprietary whiskies always contain a proportion of patent still, and they acknowledge that it is a blend of patent still and malt, but it does not convey anything to the consumer, and he thinks that he has got Scotch whiskey.

2730. If you took, say, a blend with 65 per cent. of pot still in it and tasted that by the side of your pot still, is the difference in flavour very marked?—Yes, there is a difference in the body more especially. Plain spirit lightens it if I may so term it—it lightens the heavier pot still, and it is thinner on the tongue. It is thinner in the glass when mixed with soda water or water. It is what some distillers call harder. It is not soft and it has no body. If you have a malt whiskey and you taste it new there is an oiliness on the tongue which experts call body, and you have the same in wine. You have that same oiliness in good wine, but if you blend it with spirit, with plain spirit especially, you thin it and you take away that body.

2731. May this be a matter of taste so that one man may prefer it, or do you believe that the whole balance goes in favour of the pot still?—I should say, speaking from experience, it is decidedly in favour of the pot still, judging from the result of our business.

2732. You have spoken of these proprietary sales. Those distillers must find that the blend is acceptable to their customers?—Yes, there is no doubt that to the ordinary consumer when he asks in a public-house for a "Black and White," or a "Dewar," or any of these well-known proprietary articles he gets a better article than he would from an ordinary publican, and therefore he drinks that for preference.

2733. Would you say that the proprietary article, the blend, is a better article in the ordinary public-house?—Generally it is.

2734. If you had got the pure article?—Yes.

2735. Sometimes a pure article gets adulterated, does it not?—I think the pure article if they could afford to give the price for it would be the one most sought after.

2736. I do not see why it is you say that a person in an ordinary public house asks for a "Black and White" and gets a better article. It is better than what?—Better than the article supplied by the publican himself. He has his ordinary whiskey which he may buy from anybody in the market.

2737. What would that be?—A blend of pot still and patent spirit.

2738. But it is all blended?—Yes.

2739. Of course a publican would sell that which he could get the best price for, and apparently he goes in for the blend?—Yes.

2740. Why?—I could not tell you, but he gets more profit by the blended stuff. That is his main object.

2741. And he gets sufficient consumption?—Yes, he gets sufficient consumption because he supplies nothing else.

2742. If he could make more and get a better consumption of pure pot still he would do it, I suppose?—He certainly would if the pot still were cheap enough. It is quite a question of price.

2743. I am not suggesting for a moment that it is done, but supposing a publican wished to get the flavour of the pot still, could he use a certain quantity of water with it without losing the flavour of the pot still?—Yes, he could dilute it very much.

2744. That, of course, is a dangerous thing for him to do?—Yes, because he runs the risk of his customer complaining about the whiskey not being strong enough; and, of course, it dilutes the flavour very much.

2745. And under certain legal restrictions he must not sell whiskey and water?—No, not without stating it. He is bound to state it on the label if he sells below a certain strength.

2746. You would give full information to the purchaser as to the blend?—Most certainly.

2747. Even to the extent of the percentage of the two blends?—Yes.

2748. 65 per cent. of pot still and 35 per cent. of patent still?—Yes.

2749. That you think necessary before you would allow it to take place?—Yes.

2750. The distiller can do it as he sends it out in cask?—Yes.

2751. And besides that the authorities may help him?—Yes.

2752. It then has to go to the publican, when, I suppose, it is often in cask still?—Yes.

2753. There is no difficulty there?—No.

2754. The publican, if he sells in bottles, can put it on the bottle, as you do here?—Yes.

2755. If he sells across the counter, what is to be done then?—That is the difficulty, how to inform the customer of the strength, but he can sell it as a blend if his customer asks the question, and he could have it branded on the cask.

2756. But the customer does not see the cask. My question is this: A customer goes in and says to the publican, "Give me a glass of Scotch whiskey," or "A glass of whiskey," and then the publican says, "I have this which, according to the Army and Navy Stores, is entitled to be called Scotch whiskey, and this is a blend." What does he tell the customer? He gives him what you call Scotch whiskey; need he tell the customer any more?—Not unless the information is required. I do not see how he could impress it on the customer.

2757. Very few customers would ask, "What is the nature of the blend?"—Very few.

2758. Would you impose an obligation on the publican to give the details, and to say to the customer, "I am giving you Scotch whiskey, but it is blended?"—He might put the ordinary notice in his bar, or upon the vessel from which he draws the spirit—he might put the announcement so that anyone who went in there could see it and read it; but that is one of the difficulties.

2759. It would be almost impossible for him to trust to the barman or barmaid to give such information, and there would be the difficulty. You would be disposed to rely on a well-framed and well-displayed notice?—Yes, certainly; it would be safer for the publican to do so, and it would be right that he should. He is doing his best to inform his customer, and he cannot do more.

2760. Now I want to ask you a question with regard to the keeping of the whiskey in bond, that is with reference to the age of the whiskey. We heard that the pot still whiskey is benefited a great deal by being kept a certain time undrunk?—Yes.

2761. Do you know whether that would apply to patent still whiskey?—The patent still whiskey acquires flavour from the cask and from the previous contents of the cask, but I am afraid that is about all that it does get.

2762. I am asking about the effluxion of time?—I do not think it makes any difference, or very little difference to the patent still product.

2763. But it does to the pot still?—Yes. There is nothing to develop in the patent still.

2764. Would you make any minimum period of bondage for the pot still?—Yes.

2765. What number of years?—Certainly not less than two years, and longer if possible.

2766. Do you think it is better as regards the health of the consumer that it should be not so much a raw spirit but that it should be a kept spirit?—I think so.

2767. You would make it not less than two years, but what would you wish to have if you could that is consistent with the outlay of capital?—I should make it three years, but that would necessitate a great outlay of capital on the part of the person who has to keep it that time, but it should certainly not be less than two years, and three years if it could be arranged.

2768. If you would do that where it is efficacious with regard to pot still whiskey are you going to let, according to your view, the patent still whiskey be subjected to the same period, or would you let that go free because it is no use whatever to it?—Patent still does improve to a certain extent, it gets a flavour from the cask which is generally a sherry cask, it extracts a certain amount of flavour from the cask and from the oak, and in that respect it is certainly better to keep it a little longer, but as spirit I do not think it improves. I have here a sample of 16 years old grain spirit, which I will show you, which has been in a glass all the time. (*Sample produced and handed to the Commissioners.*) That you will see is unchanged and is perfectly clear.

2769. Has this been in wood all this time?—No, if it had been in wood it would have changed.

2770. What is this to convey to my mind?—The unimproving qualities of plain spirit when you keep it away from the wood and the previous contents of the cask.

2771. Is this the result of it being for 16 years in the glass?—Yes.

2772. Supposing this had been in this glass only six months, how different would that have been?—No different. It does not change. It does not develop anything.

2773. This is the pure grain?—Yes.

2774. What would the pot still develop?—It would get colour, it would change colour, from the developing of the light or from the impurities, in the bottle.

2775. (*Mr. Guillemard.*) That would be so in bottle?—Yes.

2776. Not so much as in wood?—No, because the pot still itself takes on colour from the wood.

2777. But still it would alter considerably?—Yes, the light.

2778. (*Chairman.*) Is there any change in flavour?—None.

2779. That is the pure grain?—Yes.

2780. (*Mr. Guillemard.*) I want to ask you a question with regard to what you call the proprietary blends. Have you got information as to the amount of those sorts of blends that you sell, as distinguished from your "A" and "B"—I mean Buchanan's and those others that you mentioned?—It is a very small proportion.

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2781. It is a very small proportion compared to your very big turnover?—Yes; we sell between 700 and 800 butts of 55 dozen each in a year of malt whiskey. It is about in the proportion of 1 to 100.

2782. Those blends, Buchanan's and the others, are not listed in your price list?—No.

2783. You gave us the reason?—Yes.

2784. That is a reason of your own?—Yes.

2785. Consequently, nobody really comes to you for those blends unless they happen to suit their particular taste, and they have had them before and want them again?—We tell people we will get anything they like to ask for, but we take no responsibility, and so in that way we get business.

2786. I gathered you do not want to guide your customers' taste, but do you not think that your list possibly does guide them a little? There are a very great many people who take up a list, and say: "I shall go to the Stores, because I shall get very good whiskey there. Let me have a list of what they have for sale." Do you think that if people saw Buchanan's and those others in your list, that that would have much effect on the amount you would sell of them?—I do not think so.

2787. You do not think that when people ask for whiskey they are really guided by your list, which they take to be the result of your experience?—I think not, because we had a very fine trade in malt whiskey before Buchanan's were started, and it was developed mainly on lines that I started from the very first day that I was at the Stores 24 years ago.

2788. There is one small point that I want to question you upon. I am not sure that I understood the answer you gave with regard to what the publican sells. I rather gathered from your evidence that you are of opinion that all the ordinary publican would sell would be blends—better or worse blends, but he would not sell pure pot still?—That is so.

2789. Do you think that is pretty generally the case with regard to publicans?—I should say so.

2790. You suggest the reason is that there is more profit to them on a sale of the cheaper article at the same price?—Much more profit.

2791. They do not differentiate in price?—No.

2792. (*Mr. J. Y. Buchanan.*) I want to ask you one question about the blends which we have heard of under the name of "A" and "B." Do you think that if an ordinary customer had two bottles, one containing, say Buchanan's, and the other, one of the two blends you have produced here, he would know the difference?—Yes.

2793. I mean between Buchanan's blended whiskey and either of your two?—Yes.

2794. Then you would say as to the ordinary customer it is not that he has been supplied simply with the whiskey the composition of which he has been told, but that he is not supplied with whiskey with a definite name?—Yes.

2795. You think that is the reason that he does not come back?—Yes, he is guided by the name mostly.

2796. (*Dr. Adeney.*) You spoke of the injurious effect upon the consumer of pot still whiskey if taken in too large a quantity. Did you refer then to perfectly matured pot still whiskey or to immatured?—Both will upset the stomach.

2797. It is a difference of degree?—Yes, it is a difference of degree. In whiskey, like wine, you have a meridian, and sometimes old Scotch whiskey will become very oily and rather bilious stuff.

2798. That upsetting of the stomach is of a transitory nature?—Yes.

2799. And not likely to be permanent, as I think you indicated the effect of the patent still or alcohol might be?—Yes. I can say, without encroaching on the medical point of view of it, that if continued the alcohol would be decidedly worse for the nerves than the pot still—the pot still would be a warning to the man.

2800. But besides this transitory injury do you think that new pot still whiskey would have any other injurious effect as against matured pot still spirit?—It might affect the head a little.

2801. We are told that in Ireland new pot still spirit has a maddening effect on the drinker?—I think there is very little doubt about it.

2802. So that there would be some other injury to health induced by new pot still spirit?—Yes, it is decidedly necessary to mature it.

2803. In good proprietary blends is care taken to employ matured pot still?—We hope so.

2804. Would the consumer be affected at all if matured pot still whiskey were not employed, leaving flavour out of account?—He might be if new spirit was used.

2805. What I want to come to is this. Is there a danger of the reputation of these good proprietary blends being taken advantage of for the sale of blends containing either immature pot still whiskey or very small proportions of matured pot still whiskey and being sold to the poorer classes of consumers?—Decidedly, that is the mischief. That is where it all comes in and where it is so necessary to state the proportions, because you may have a blend say of one Scotch whiskey which is 95 per cent. of patent still, or anything you like to use, and only 5 per cent. of pot still.

2806. Do I understand from you that amongst consumers there is really an ignorance as to these different classes of pot still spirits and blends?—With the ordinary consumer, yes, there is ignorance.

2807. And he is really guided by the reputation of the old genuine pot still spirits?—Entirely, because he gets a suspicion of the flavour, and he thinks it is all right.

2808. So that these blends have the advantage of trading on the reputation of the old pot still?—Decidedly. It is the strong flavoured whiskey that is most in demand. Our American cousins are very fond of buying Islay whiskey because they can mix it with common maize spirit, and it is sold as Scotch whiskey. Islay whiskey has a very strong flavour. The peat that is employed in the drying of the malt gives a very strong flavour indeed to the grain, and that comes out in the distillation. The Americans bought very large quantities of Islay whiskey specially to mix with their plain spirit, and they sell the result of that as Scotch whiskey. They trade upon the flavour of Islay whiskey.

2809. (*Dr. Horace T. Brown.*) I am not quite clear about your attitude with respect to blends. Are you of the opinion that blends of malt and patent spirit may be legitimately sold as Scotch or Irish whiskey?—I am very glad you have asked me the question because you have given me the opportunity of explaining the position I take up in this matter. I call it Scotch whiskey because the name has been used, and has been applied to patent still spirit made in Scotland. It has been applied for so many years that the term is sanctified by the old usage, but I do not consider that patent still spirit is whiskey. But what would you call it?

2810. But still that, blended with pot still whiskey, you would call Scotch or Irish whiskey?—It is called Scotch or Irish whiskey, but it is only for that reason.

2811. The question of whether it is to be called Scotch or Irish whiskey does not depend in any way upon the constituents of the blend being declared? Whether blended Scotch whiskey is declared as blend or not does not affect the question of whether it is Scotch or not?—No. If the patent still grain is made in Scotland it has a right to be called Scotch patent spirit or Scotch whiskey.

2812. Would you make any limit whatever with regard to the blending of patent still spirit with pot still spirit? Is there any point at which it would cease to be Scotch whiskey?—It is very desirable that the proportions should be stated.

2813. I think your definition requires a little alteration if you admit that blends may be called Scotch. You say Scotch whiskey should be distilled in a pot still from malted barley alone?—That is the correct Scotch whiskey.

2814. I am trying to harmonise these two statements?—I know the difficulty is great. The question was put to me when I was in the box at Islington, and it is difficult, as I expressed it then. What would you call it? It has been known for 40 or 50 years as Scotch whiskey.

2815. You know there are some that would even deny the name of whiskey to such a blend?—Yes, there are a great number of people, but speaking for myself, my own opinion is that it should not be

called so, but that is my own opinion, and I do not care to set myself up as being the only person who has a right to lay that law down, it having been known as Scotch whiskey for so many years.

2816. You have produced a label here on which you have described your blend, and you call it Scotch whiskey?—Yes.

2817. I want to know whether it would be equally legitimate to call that Scotch whiskey without this statement of what the constituents are?—I say no.

2818. Do you think that makes all the difference?—Yes, I think that makes all the difference. If I tell my customer what it is, I have done my duty.

2819. But does it change the nature of the spirit in such a way that you can call one Scotch and the other not?—No, it does not.

2820. The mere fact of declaration does not alter the fact that it is Scotch whiskey or not Scotch whiskey?—As I tell you, I suppose by right of user it is Scotch whiskey, but my explanation on the ticket and in my book tells my customer exactly what he gets. That is my case, that all blends ought to have that description and information for the use of the public.

2821. That is scarcely the point. The question is as to whether such a declaration would entitle something which without that declaration was not a Scotch whiskey to the designation of Scotch whiskey?—I think the Commission is sitting to decide whether we can call it Scotch whiskey or not.

2822. I am merely trying to find out what the opinion of the trade is?—My opinion is that it is Scotch whiskey, and I am simply making use of that announcement here, that it is Scotch whiskey with the sanction of, and usage by, the trade; but I go further, and explain the constituent parts there, so that the consumer is not deceived in any way.

2823. I think you said that the public does not care very much about the difference between pot still and patent still, as regards the materials which are used. The purchaser does not know anything about it?—He knows practically nothing about it.

2824. But is not the same thing true with regard to the difference between Irish and Scotch? Do you think, for instance, that the man in the street knows that Irish whiskey is generally prepared with a certain amount of unmalted grain?—No, I do not think he does.

2825. And he does not trouble himself about it?—No, he goes by the difference in the flavour alone.

2826. You mentioned Cambus, did you not?—Yes.

2827. Do you regard that as a Scotch whiskey? You do not, do you?—Only, as I tell you, by the right of user and by common custom of the trade it has been called Scotch whiskey.

2828. For a great length of time?—Yes.

2829. Would you consider it a hardship to deprive it of that term?—Well, it would be decidedly a hardship.

2830. Is that a spirit which improves with age at all in plain wood?—Very well, I should say.

2831. Do you attribute the whole difference of cost and the whole difference of flavour to the sherry cask?—Yes, to the sherry cask, or whatever the contents of the cask were before the whiskey was put in.

2832. Do you know if Cambus improves in value in plain wood?—Yes, naturally.

2833. And there is something else which improves with it?—Yes, the interest, the cost of keeping it.

2834. But as regards the public, are they willing to give more for Cambus 6, 7 or 8 years old, than for new Cambus?—Yes.

2835. There is something in it which improves?—Yes, the flavour of it improves by being kept in wood; it may improve in flavour but it derives that flavour from the contents of the cask.

2836. But I am speaking of plain wood?—Yes, it would derive it from the oak. It is the same with brandy, if you put brandy in an oak cask. Some manipulators of brandy put oak shavings in the cask too, because it gets the wood flavour and it develops. There is certainly a change if you keep it in wood.

2837. You have told us that in your opinion pot still whiskey is a more satisfying drink than patent still?—Yes.

2838. Inasmuch as it would bear a much larger dilution with water?—Yes.

2839. Is not that an argument in favour of the consumer selecting the most highly flavoured whiskies that can be procured, such as Islays and Campbeltowns?—Yes, but they are so highly flavoured that unless a man has been brought up on them and has known them all his life he does not care for them. The sale is very small as a straight whiskey.

2840. Unless they are blended?—Yes, and it is the same with Highland malts, they are too strong in flavour to be sold by themselves, they are not palatable.

2841. Do you think there is a tendency on the part of the public to go in for a less highly flavoured whiskey?—Yes.

2842. That which is made by blends in many cases?—Yes, both of the pot stills and of the patent stills. The aim is to get it as even and as well balanced as you can.

2843. Can you tell us whether your views coincide very much with those in the trade, or whether they are in any sense peculiar to yourself?—I think there are a great number of people in the trade who agree with me. I think so from conversation.

2844. I ask you because I see you have called yourself a heretic or eccentric when giving evidence before Mr. Fordham?—Yes, when I gave evidence before Mr. Fordham I was a heretic in this way that I did not say that patent still spirit was a deleterious article. I am not prepared to say that it is a deleterious article at all, because if people like to frolic with grain spirit at all I let them.

2845. (*Dr. Bradford.*) I understood you to say that it was possible that some blends of whiskey might be rather deleterious, that they might be harmful?—Yes.

2846. Do you attribute that to the grain spirit or do you attribute that to the blend having been made with raw pot still spirit?—Could you guide me in any way as to the context of my remark with regard to that? It might be deleterious through some spirit, which is neither grain nor malt, being put into it, or it might be deleterious if there is new pot still whiskey blended with a plain spirit. That might be because of its newness and its undeveloped impurities.

2847. Might I ask you what other sort of spirit might be used other than grain or malt spirit?—I have heard, but as to these things I do not wish to speak merely from hearsay, and for that reason, if I might advance my view on the matter, I think it is so necessary that the Excise should help us in clearing up these matters and not permit the mixture of any what I might call foreign spirit, not necessarily a spirit made abroad, but a spirit foreign to grain or malt spirit, such as molasses or potato spirit, or the use of essences.

2848. (*Chairman.*) What do you say as to maize?—Maize would be a plain grain spirit.

2849. (*Dr. Bradford.*) So that if there were any deleterious action from a blended spirit it is not necessarily due to the admixture with grain spirit?—No.

2850. That is the point I wanted to get at.

2850*a*. (*Dr. Adeney.*) You spoke of some of the Highland malts as being too highly flavoured for ordinary consumption?—Yes.

2851. That does not apply to all malt whiskies?—No.

2852. As a matter of fact, there are several malt whiskies that are quite light in flavour when properly matured?—Yes, and that is where the art of the blender comes in, and makes it almost necessary that Scotch whiskey, to be really palatable and nice, should be blended, but it should be blended with malt whiskey of the different makes—the different artists, you may say, who created the compound.

2853. But there are a large number of consumers who prefer self whiskey; that is, pot still whiskey that has been called unblended?—There are not many. I have introduced two, and it is not general. They are very good whiskies—what I might call unmarked in their characters. There is a character

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in them, but it is not strong enough to be repugnant, and some Highland malt whiskies are repugnant in flavour.

2854. Does that obtain with Irish pot still whiskies?—To a much lesser degree; their characteristics are not so marked, but then they are carried on simply in ordinary large distilleries like the Lowland malts or Campbeltowns—not so much of the different districts.

2855. With regard to this sample of patent still spirit that you have shown us, I quite admit the fact that it has not become coloured, and it proves that it is very pure as alcohol?—Yes.

2856. May we take it as an average sample of patent still spirit, in your opinion?—It is rather unpatriotic to say so, but it is a German spirit. I have a business which I also have the direction of, as well as the wine department. I have a large manufactory to look after as well as the wine department, and we buy a large quantity of German spirit for perfumery purposes. It is a very delicate and very fine spirit.

2857. It is a rectified spirit?—Yes, a very highly rectified spirit, and it is so absorbent of any odour that you cannot allow anybody who has been working in the perfumery department to go near it if you want to get a pure sample. You must not let him go near the tap. I had an example the other day, when I wished to get a sample spirit to show to the Commission. I sent my clerk into the place where this was kept in a copper drum, and he drew it off very carefully. I would not let any workmen go near it, but he happened to draw this off in the room where they had been mixing a very delicate perfume. The bottle was sent up to my office, where we were experimenting and making Scotch whiskies with essence—with this very spirit which I have here, and when we came to smell the result, the delicate flavour of White Rose had been acquired by this sample being drawn off in this room, so that the spirit takes to itself all these things.

2853. Was that a sample of the patent still spirit, or of pot still?—No, that was a very highly rectified grade spirit. I have not got a sample here.

2859. You do not know of your own experience whether a patent still spirit made from grains would discolour by exposure to the light?—No, I do not think so if it is made as clean as most of them are.

2860. (*Mr. J. Y. Buchanan.*) There is one question I want to put to you which is suggested by what you said about patent spirit, that you would not think it was at all deleterious and that there would be no harm in people indulging in it as they thought fit. I would like to ask you if you would consider that the public welfare would be prejudiced if the trade in potable spirits were left to the action of the ordinary law of supply and demand and without further legislative interference?—I think legislative interference is highly desirable.

The witness withdrew.

Sir H. Plunkett.

The Right Honourable Sir Horace Plunkett, K.C.V.O., F.R.S., called.

2861. (*Chairman.*) You are an Irishman by birth?—Yes.

2862. Have you for the last 20 years been actively engaged in the promotion of agriculture in Ireland?—Yes.

2863. For eight years, if I remember aright, you were a member of the House of Commons?—Yes, from 1892 to 1900.

2864. I suppose your knowledge of whiskey is simply a general knowledge?—Certainly, only general.

2865. You are not in any way connected with distillers?—No, and I am not a heavy drinker.

2866. What is your opinion as to Irish whiskey? From your general knowledge is it a pot still whiskey?—Yes, that always has been my idea.

2867. Your interest is in support of the view that the materials that are used should as far as possible in relation to Irish whiskey be of Irish growth?—Yes, I am concerned to see that Irish farmers, and, indeed, other farmers, are not unfairly competed with through the sale of manufactured articles the raw materials of which people imagine to be produced by farmers and are not.

2868. Of course, according to you, where the competition must come in in respect of the Irish whiskey is by establishing the fact that Irish whiskey is composed of certain articles which are grown by the Irish farmer or ought to be?—It is so generally believed to be.

2869. And you say ought to be?—Yes, and ought to be.

2870. That is, of course, coming to barley at once; malted barley?—Yes.

2871. To follow that up, it is a general principle that the purchaser, the consumer, is to have that which he expects to have, and that which he asks for?—Yes.

2872. Having that as your view, how do you apply that to this question of Irish whiskey?—I do not regard the matter so much from the point of view of the consumer as from the point of view of the producer. Of course, I am like all the rest of us here, a consumer; and I do think that the consumers ought to be protected from what I regard as fraud in many cases, but I am much more interested in the agricultural community and I object to this particular misdescription of Irish whiskey because it would have a very grave economic effect upon Irish agriculture at an extremely important crisis in the affairs of that country. It is that view which I particularly wish to put before the Commission, because I think that the consumers' interest will be far better represented by other witnesses.

2873. Will you deal with it practically please? What is the competition you wish to shut out as against what I will call your Irish whiskey?—I wish to prevent consumers of whiskey imagining that they are purchasing whiskey manufactured out of Irish materials in Ireland when they are purchasing something else.

2874. I quite understand that, but practically where does the competition come in? You have spoken of articles. Are you speaking of maize and rye?—Chiefly maize.

2875. You want to have it that Irish whiskey, or that which is sold as such, should have for its ingredients malt and barley?—Yes.

2876. In that way the growth of barley in Ireland would be maintained as it is, or would be greater?—It would probably be greater. It happens to be one of the crops we grow best, and if anything were done to discourage Irish barley growers it would have serious effects on the whole agricultural economy of Ireland. I may say that while I was in the Department of Agriculture all my advisers were agreed that we ought to pay special attention to what we call the industrial crops, the most important being barley and flax. We conducted a large number of experiments in the cultivation of barley all over Ireland in conjunction with Guinness's Brewery and some of the distilleries. We kept a special expert to deal with that crop alone, and these experiments are still being continued. This action was not taken in the interest of the whiskey trade, but it so happened that this crop had a very important bearing upon the whole of our agricultural economy, and it would have very disastrous results if anything were done at a time when it is most important to increase the area under tillage if the lands that are now growing barley were largely to go back to grass.

2877. Is it your opinion that of late years there has been any falling off in the growth of barley or in the quantity of barley used for making whiskey?—Not of late years, but I attribute that very largely to the steps which have been taken to promote barley grow-

ing by educating the barley grower. A great deal has thus been done to stimulate the production.

2878. What becomes of his barley?—It is all bought in the country.

2879. For whiskey?—Yes, and still more for stout. A great deal more for stout than for whiskey.

2880. For liquor?—Yes.

2881. You are very anxious that nothing should be done in the way of trade, or carrying out the details of trade, which would stop the growth of barley in Ireland?—Yes. I only say that if anything was done that would stop the growth of barley in Ireland it would have far more serious consequences probably than the Commission are aware of, and I say that with full knowledge after a very long study of the subject, and a very practical connection with Irish agriculture.

2882. (*Dr. Horace T. Brown.*) Do you know if there is any importation of grain other than maize into Ireland for the purpose of distillation?—Not much I think for the purpose of distillation.

2883. You do not import any of the Mediterranean or Black Sea barley?—There is a considerable importation, I believe, of barley. The statistics are all published, and the amount can be ascertained accurately.

2884. Your opinion is that it is the patent distiller who is the offender, not the pot distiller?—Yes. I do not call him the offender. I have no objection to patent stills provided the user of them does not invade the old Irish whiskey trade. As long as everybody knows what they are purchasing I have no objection. I do not want to put any restrictions upon the production of patent spirit. Of course, it would be useless to recommend that.

2885. I quite understand your point of view. It is totally different from that of the distillers.

The witness withdrew.

Colonel NUGENT T. EVERARD, called.

2886. (*Mr. Guillemard.*) I believe you are a Colonel in His Majesty's Army?—Yes, retired.

2887. And you are Lieutenant for the County of Meath?—Yes.

2888. I gather from your *précis* of evidence that you have no interest in any distillery of any sort?—None whatever.

2889. Or in any form of trade that is connected with whiskey or any spirit of any sort?—No.

2890. Did you hear Sir Horace Plunkett's evidence just now?—Yes.

2891. I gather from your *précis* that your object is to give evidence on the same lines, is it not?—Precisely.

2892. You speak just as a consumer of whiskey and as interested in agriculture?—Not so much as a consumer, but as noticing the effect upon agriculture of the lessening demand for barley, or what would probably be the effect of the introduction of patent spirit—less demand and a lower price. I may mention that I am a member of the Board of Agriculture of Ireland and Chairman of the County Committee of Agriculture, besides being on the Council of the Royal Dublin Society, so that I look at the matter more from the agricultural point of view, and its effect on the agriculture of Ireland.

2893. The Commission gathered from Sir Horace Plunkett that the growth of barley in Ireland a short time back showed indications of falling off, but that that falling off had been arrested by the efforts of the Board of Agriculture and better education on the subject. Do you agree with that?—I do; and also by the efforts made by the Royal Dublin Society. They are giving very large prizes for the best samples of barley in the different counties. I think that has done a very great deal of good.

2894. The point you wish to urge is that you would deprecate the Commission making any recommendation that would tend to increase the sale of spirit produced, say, from maize, or something like that, to the displacement of what you would call genuine Irish whiskey?—Precisely. What I object to is what I think is the encouragement of a fraud. I cannot see that there is any difference in principle between the treatment of food products and drink products. Margarine has the colour and flavour of butter, but it is a fraud to call it butter, and it is not even allowed to be called butterine. It is the same with silent spirit; it can be made to imitate whiskey, but I consider it a fraud—of course, it is only my individual opinion—to call it whiskey.

2895. I am not a chemist, but is the case of whiskey an exact parallel to the case of margarine and butter? The two things called whiskey which the Commission are asked to distinguish between are more nearly produced from a kindred thing than butter and margarine?—I should not say so. Margarine is produced from the internal fat of animals, and butter is produced from the fat of milk.

2896. (*Dr. Bradford.*) With reference to the use of barley, is the bulk of the barley that is used in the process of making whiskey grown in Ireland?—I believe the greater quantity of it is. I know there is a considerable amount imported, but still I am speaking of the grain from which it is produced being barley which is largely grown by Irish farmers.

2897. I did not know whether you could give us any information as to the relative proportions?—I am afraid I could not give you any statistics, but they are all published.

2898. (*Dr. Adeney.*) I gather you do not wish in any way to restrict the production of patent still spirits?—Not at all if they call it silent spirit, or some other name, but not whiskey.

2899. If it is not sold on the reputation of pot still spirit?—If it is called Irish whiskey I consider that it is a fraud upon the public.

2900. And to that extent you think the Irish farmer or the British farmer is entitled to protection?—Most decidedly. You have only to go to the smallest inn in Ireland and they would repudiate with scorn using any blend whatever. They will probably profess that it is real Jameson or something like that, but they would never admit that it was a blended spirit—not in my neighbourhood.

2901. Have you formed in your own mind any way by which a pot still spirit could be protected by name?—I should think by confining the name Irish whiskey to pot still whiskey.

2902. You would not allow the term "whiskey" to grain spirit?—No, certainly not.

The witness withdrew.

Mr. WILLIAM PURSER GEOGHEGAN, called.

2903. (*Dr. Adeney.*) You reside at Rockfield, Blackrock, County Dublin?—Yes, near Dublin.

2904. You are a member of the Congested Districts Board?—Yes.

2905. And you are a Director of the Great Southern and Western Railway?—Yes.

2906. You were formerly chief brewer to Messrs. A. Guinness and Co.?—Yes, I was for 38 years.

2907. You have resided for the most of your life in Ireland?—Yes.

2908. What do you mean by the term "Irish Whiskey"?—I take it to mean that it is distilled in a pot still from the produce of Irish grain, or such materials as can be grown in Ireland. I believe the pot still distilleries in Dublin use a certain amount of English grain occasionally.

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2909. You mean by "Irish grain" barley?—Yes; Irish grain, chiefly barley; and they also use a blend of oats and rye, I believe.

2910. Have you had any opportunities of seeing distilleries in Dublin?—Yes, I have often been in Power's and Jameson's distilleries.

2911. Have you had an opportunity of judging of the quality of the materials employed in those distilleries?—Yes, I have had an opportunity of judging of the materials. I have frequently co-operated in the question of seed. We all buy in the same market—all the chief brewers and distillers of Dublin buy in the same market, and they are competitors for the best quality of barley.

2912. You can confirm the statements that have been made that the Irish distillers buy the best materials that can be obtained?—Yes, and use the greatest care in their treatment of them.

2913. You think that Irish pot still whiskey should be protected from competition with patent still spirit, when that patent still spirit is sold as pot still spirit?—Certainly.

2914. Or if it is sold in a manner suggesting that it is pot still spirit?—Yes.

2915. You think that the sale of patent still spirit as Irish pot still whiskey would be not only injurious to the trade itself, but would have an injurious economic influence on the agricultural interests of the country?—Certainly; if the patent still encroached on the trade to the detriment of the pot still, it would have that effect. It would be to the prejudice of agriculture in Ireland if the patent still spirit is sold as whiskey instead of its being known, as it is, as a mixture of either a blend or product of imported maize.

2916. So, in connection with the pot still industry there are really two industries to consider, namely, the farming interest and the distillers' interest?—Yes, but I am speaking from the point of view of the farmers' interest.

2917. Would you think it right to give the name of "Whiskey" to patent still spirit?—I do not think it ought to be called Irish whiskey.

2918. But you allow it to be called "Whiskey"?—No, I would rather it were not called "Whiskey."

(*Dr. Horace T. Brown.*) It might be called "Grain Whiskey."

2919. (*Dr. Adeney.*) You do not think that spirit made from maize has any right to be called "Irish Whiskey"?—No, I do not.

2920. But you would like "Grain Whiskey"?—Yes.

2921. As far as you know in Ireland, the flavour of pot still whiskey is preferred to that of patent?—Certainly in Dublin and in the South of Ireland. I am not so well acquainted with the North of Ireland, and I do not know what the feeling of people there is.

2922. But there can be little doubt that the great mass of consumers prefer pot still whiskey?—Yes, I have no doubt of it, as far as my part of Ireland is concerned.

2923. Have you any knowledge of the English tastes?—I know there is a prejudice against Irish whiskey in England because they do not easily get it good.

2924. You mean to say that the Irish whiskey that has been given to them has been of an inferior quality?—I believe what is sold to them as Irish whiskey is often what is made in Belfast from maize.

2925. And in that way the Irish pot still whiskey is safer in reputation?—Certainly in England. That is my opinion.

2926. You have told us you do not know what is the taste in Belfast?—No, I do not, so far as the ordinary consumer is concerned.

2927. (*Mr. J. Y. Buchanan.*) You do not think that patent still spirit should be called "whiskey." Supposing in patent stills in Ireland they were to use Irish barley in the preparation of the spirit, and that was used for blending with the pot still in Ireland, would you permit that to be called Irish whiskey?—No, I do not think so; but that is not done, I believe, so far as I know.

The witness withdrew.

Sir W. Goff.

Sir William Goff, called.

2928. (*Dr. Bradford.*) You reside at "Glenville," Waterford?—Yes.

2929. You are Chairman of Messrs. Davis, Strangman and Company, Limited, of Waterford?—Yes.

2930. You are Chairman of the Waterford Steamship Company?—Yes.

2931. You have been connected with Messrs. Davis, Strangman and Company since 1863?—Yes.

2932. You have resided the whole of that time in Waterford?—Yes.

2933. You are not directly interested in whiskey?—No, I am not in any way interested in the trade.

2934. What is the point of view from which you wish to give evidence?—As a brewer I believe it to be extremely important that a proper market for barley should be maintained in the country. Latterly there has not been so large a growth of barley in Ireland, owing, I believe, to distillers not purchasing as much barley as they used to, and I believe that the introduction of patent still spirit displaces the growth of so much barley in Ireland.

2935. Is the supply of barley in Ireland sufficient for the needs of all distillers?—At times it is; some years it is, and some years it is not. If a short crop comes then it is absolutely necessary occasionally to import barley, but that does not often happen. I speak as a brewer.

2936. As a rule sufficient barley is produced in the country?—Yes.

2937. It is rather exceptional for it to be imported to any large extent?—I only speak from my own knowledge.

2938. You speak as a brewer?—Yes.

2939. Do you think the same thing holds in distilleries?—Yes.

2940. Would you tell us what your definition of Irish whiskey is?—My definition of Irish whiskey is pot still whiskey made chiefly from barley and entirely from Irish grain.

2941. You mean by Irish grain, grain grown in the country?—Yes.

2942. Actually grown in the country?—Yes.

2943. So that you would not call whiskey Irish whiskey if it was made from imported barley?—Yes, certainly at times it is absolutely necessary for a distiller to use foreign barley.

2944. I gather you would not allow the term "whiskey" to be applied to patent still spirit?—No, certainly not.

2945. The term "whiskey" has been applied to it?—It has.

2946. It has been so called?—Yes, it has been the custom of the trade.

2947. Would you allow the term to be applied if barley were used in a patent still?—I believe the product of a patent still is almost pure spirits of wine. I do not think it ought to be called whiskey at all.

2948. Not even if made from barley?—Not even if made from barley.

2949. Then you would be satisfied if these different products were labelled?—I think that the Excise who have the control of the manufacture of whiskey up to the time that it is sold and leaves bond ought in some way to protect the public by allowing the purchaser to know, when he is buying the whiskey, exactly what the whiskey is made from, and I think the public ought to be in that way protected.

2950. But that would be met by a label on the bottle for example?—That would be met by a classification of the whiskey.

2951. Such as what?—Such as "Whiskey made from three-fourths barley and" —— whatever other grain the distiller might use.

2952. You think that the proportions of the mash ought to be recorded?—Yes, I think the proportions of the mash ought to be kept, and that there ought to be in that way some guarantee to the public, when purchasing whiskey, what kind of whiskey they are purchasing.

2953. (*Dr. Horace T. Brown.*) I am not quite clear, Sir William, on this point. You would advocate that a declaration of that kind should always be made on the bottle whether the contents proceeded from malt and unmalted grain, or whether they in part proceeded from the patent still. Would you advocate in all cases a label explaining the origin of it?—I am not in the trade, and therefore I cannot say what a trade person ought to do.

The witness withdrew.

Alderman W. F. Cotton, called.

2954. (*Mr. J. Y. Buchanan.*) You reside at "Hollywood," Dundrum, County Dublin?—Yes.

2955. You are an Alderman of the City of Dublin?—Yes.

2956. A Justice of the Peace for the County of Dublin, and Deputy-Lieutenant?—Yes.

2957. You are also a Director of the Hibernian Bank, and one of the Directors of the Dublin United Tramways, and Chairman of the Alliance and Dublin Consumers Gas Company?—Yes.

2958. You are an Irishman by birth?—I am.

2959. And you have lived in Ireland all your life?—I have.

2960. You have no interest in any whiskey distillery?—Not the slightest, in any way.

2961. What is the particular point that you wish to give evidence upon?—It would be on the question of whiskey made in a pot still. Irish whiskey is made from malt, the other portions of barley, and sometimes they use a small percentage of oats. I have, on one or two occasions, tested patent still whiskey, and, so far as I am concerned, I could not drink it, I would not drink it, and I refuse to drink it.

2962. Is it your opinion that the name whiskey should be limited to Irish whiskey made in a pot still?—Yes.

2963. Without any mixture whatever?—Yes, without any mixture whatever. I would not allow blending, if it was possible—not at all.

2964. Not even one of pot still whiskey with another?—I would not mind that so much, but that is a different thing.

2965. But you would not allow it to be blended with patent still, even made in Ireland?—No, I would not.

2966. And, of course, I suppose it is the custom in Dublin and other parts of Ireland to use the name of whiskey for most blends?—I think it is.

2967. Would you think it a great public inconvenience if the use of the term Irish whiskey for liquor that contained anything but pot still were prohibited?—I do not think so. There is plenty of whiskey made in the country that is pot still.

2968. But I mean the use of the name by the people?—The use of the name I do not think would make any difference; people are beginning to understand now what pot still whiskey is, and they are beginning to understand the nature of it.

2969. They would get a different article of consumption, and use the same name for it?—I do not think it would make the slightest difference. Speaking about the age of whiskey, I heard some evidence given about the age, and I would be very sorry to drink whiskey that was under the age of three years old. Jameson's say that their whiskey is fit to drink at five years old, but I should be very sorry to drink any that was of less age than that.

2970. Would you make it necessary for them to keep the whiskey at least five years in bond?—I should say that ought to be the very least—five years. Of course it is an expense to keep it for five years, and it makes the whiskey more expensive.

2971. Would you be inclined to make that legislatively necessary?—I would be inclined to do so. There is no difficulty in getting it. It costs more money, and as far as I am concerned, I am drinking in my house at present John Jameson's 20 years in bond.

2972. That could not be expected to be consumed by an ordinary consumer?—No.

2973. With regard to ordinary people who buy whiskey in a public-house, how long should that be kept?—I should say five years.

2974. Would not that make the price rather excessive?—It would make it more expensive.

2975. A man who pays 4d. a glass for whiskey would not be able to buy it for that?—Yes, but they would drink less of it, and that might not do them any harm.

2976. Do you think any restriction should be put on the materials used by the distiller in his grain?—I think as long as they use malt and barley and a percentage of oats from time to time the whiskey would be all right. That is my experience.

2977. Would you want any declaration as to the process of manufacture?—Yes, decidedly. I think that is the great failing, that you can buy whiskey and in very few cases can you get the age of the whiskey or the material that it is made of.

2978. Or the process?—Yes.

2979. You would make them declare that?—Yes, I think it would be a great advantage to the people in Ireland, at all events, if it was made so.

2980. A minimum of three years you think is necessary?—Yes, three years I say should be the minimum time.

2981. You think that these opinions you have given us are participated in by your friends that you come in contact with in Dublin?—Yes, that is the general impression.

2982. (*Dr. Adeney.*) You say you would not yourself drink young whiskey, or Jameson's whiskey so young?—Or any whiskey.

2983. What is your reason for that?—Because in the first place it is too strong. I think it injurious to the constitution to drink whiskey under three years old. I believe it must be injurious. That is my opinion.

2984. Have you any specific data?—Only the effect that it would have on myself if I drank it.

2985. You have tried it?—Yes, I have tried it often.

2986. You find the unpleasant experience you had from young whiskey you do not get from the matured whiskey?—That is so. I may tell you, some 14 or 15 years since I had an interest in a distillery, Rowes' Distillery, of Dublin, where I had an opportuity of tasting whiskey at all ages.

The witness withdrew.

Mr. R. Downes.

18 March 1908.

Mr. ROBERT DOWNES, called.

2987. (*Dr. Adeney.*) You are chairman of the Westmeath County Council?—Yes.

2988. And you are a member of the Board of Agriculture?—Yes.

2989. You are a farmer?—Yes.

2990. And you reside at Russellstown, Mullingar, Westmeath?—Yes.

2991. You have resided in Westmeath all your life?—Yes.

2992. Have you any interest in any distillery?—No, none whatever.

2993. Are you a grower of barley yourself?—No.

2994. What do you regard as understood by the term "whiskey" in Ireland?—The ordinary meaning I have always understood of "whiskey" was material made in a pot still from home-grown barley.

2995. As an Irishman resident in your country you can say that that is the general opinion amongst Irishmen?—There is no doubt whatever that that is the usual opinion of the ordinary man in the street.

2996. And of the man in the country too?—Of course that is what I mean.

2997. You will admit that Irishmen have had good means of becoming educated to it?—We have that reputation at all events.

2998. They have gained this reputation from the illicit distilling of former times, I believe?—Yes, and I believe an Irishman's idea of whiskey is somewhat the potheen in a more skilful form of manufacture.

2999. When an Irishman asks for a glass of whiskey he certainly does not expect to get patent still plain spirit?—I do not think so, and very few people know of it in Ireland.

3000. It is not known in your part of the country?—Not the expression "Patent Still Whiskey" until this last few months, almost when this inquiry was instituted. Until then I do not think the word was even known.

3001. So that a customer going into a public-house in your part of the country if he asked for a glass of whiskey would expect to get the ordinary Irish pot still whiskey?—Yes, but he does not always get it, although he expects to get it.

3002. Does he know whether he does or not?—That is according to the class of person that has it.

3003. There are some people who would not know?—I think the vast majority would not know.

3004. Do you say that patent still whiskey is being sold to them on the reputation of the pot still whiskey?—Yes, I believe that. I may say that I look at this matter entirely from the same point of view as Sir Horace Plunkett and Colonel Everard. I am a member of the Board of Agriculture, and as a farmer I take an interest in this question. Any interest I take in this matter at all is on the question of tillage in Ireland.

3005. You are not interested in the interest of the distiller?—No.

3006. But in the economic effect of the distilling industry upon the agriculture of the country?—Yes.

3007. If the pot still whiskey has unfairly to compete with grain spirit, that unfairly affects the interest of the farmer or agricultural interest of the country?—Naturally it reduces the demand for barley and in that way reflects on the prosperity of the country from the tillage point of view.

3008. So that the barley farmer requires protection in that particular?—He would be very glad to have it.

3009. Is the growth of barley in your part of the country diminishing?—My county is not a barley-growing county except at one end of it—it is more a grazing county.

3010. Do you know anything of the growth of barley in the country generally?—No, not much, except what has come under my notice as a member of the Board of Agriculture.

3011. Can you give us any opinion from that knowledge?—The only information I can give is that barley growers have been complaining. I have seen constantly notices of meetings complaining of the bad prices they are receiving for barley.

3012. Is that a question of inferior quality or a lessening demand?—Well, as far as I can understand, the growth of barley in Ireland would practically disappear but for the demand created by Guinness's Brewery; or at least it would seriously diminish; and I believe it is the common belief in Ireland that whiskey, or what is called whiskey, made from other ingredients than home-grown grain has militated against the growth of barley in Ireland. That is the common belief.

3013. I suppose, as a member of the Board of Agriculture, you are interested in the experiment which Sir Horace Plunkett referred to?—Yes.

3014. To improve the quality of the barley?—Yes.

3015. You are of the same opinion that the whiskey of pot still distilleries would have a considerable influence upon that?—Yes, I am.

3016. Is it to the interest of the farmer to take up the cultivation of the superior qualities of barley?—I am quite sure it would have that effect. I quite agree with all the remarks of Colonel Everard and Sir Horace Plunkett with regard to that matter.

The witness withdrew.

Mr. J. P. Nannetti.

Mr. JOSEPH PATRICK NANNETTI, M.P., J.P., called.

3017. (*Mr. Guillemard.*) I believe you are Member of Parliament for the College Green Division of Dublin?—Yes.

3018. I think we all know that for some two years you occupied the position of Lord Mayor of Dublin?—Yes.

3019. You are an ex-President of the Trades Council of Dublin?—Yes.

3020. Which has kept you in touch with the trading classes in Dublin?—Yes, and working-men generally.

3021. Could you give the Commission the benefit of your experience as to what you would consider Irish whiskey to be?—I consider when I, taking myself as a member of the general public, ask for a glass of Irish whiskey, that we are getting a whiskey that has been distilled from barley, malted or unmalted, from grain grown in the country.

3022. I quite understand that when you ask for that you know exactly what you are asking for?—Yes, I know exactly what I am asking for, but I do not know what I am getting.

3023. But when you get down to a less educated man—the man in the street, I might say—do you think he has the same opinion in his mind of what Irish whiskey is, and that he is asking for the same thing?—I believe when a man asks in Ireland, and even when we come to London and ask for a glass of Irish whiskey, we expect to get whiskey distilled from barley malted or unmalted, as I said before, and I think that the effect of not getting what we expect we are getting has been the means of diminishing that demand for Irish whiskey which, I am sorry to hear, witnesses say is on the decrease here.

3024. That view you think is prevalent with Irishmen?—Yes, that view is prevalent.

3025. The ordinary Irishman, if he knew that he was getting a drink that was composed wholly or partly of patent still spirit, would not accept it at all as Irish whiskey?—I would consider he was being imposed upon.

3026. Why would that be, do you think? Do you wish to bring in the question of health or do you think it would simply be that he was getting something that he did not like and did not want?—I take a glass of whiskey now and again. I look on a glass of Irish whiskey as wholesome, and I think if I was taking or drinking patent still whiskey, which

I have tasted, I would think I was not getting as wholesome an article.

3027. You have not tried a course of experiments with the patent still spirit on yourself?—No, I have not.

3028. Was it only one experiment?—One experiment.

3029. What did you risk yourself with? What was the spirit?—A patent spirit. It was told to me that it had been produced in one of those patent machines.

3030. Did you know the age?—No, I did not.

3031. Or the materials?—No, further than that I was told it was made from maize.

3032. Did it taste of anything to you?—It had not the taste of what I was used to, but perhaps I have acquired a taste for a certain brand of whiskey. It had not the flavour to me of what I was used to when I drank a glass of Powers' or a glass of Jameson's.

3033. Your views would be those, you think, of the people of Ireland generally?—I think so, and I think the people of England too. I have lived enough here in England going backwards and forwards, and I have focussed the view. If I could focus the opinion of Englishmen here when they get a glass of Power's whiskey, which I very often bring across here in my bag, they would tell me that was different stuff to what they got in England, and they like it the better. It is more palatable, I take it.

3034. (*Chairman.*) It is something that you think it is safe to let English people drink?—I have been into public-houses here and when I have asked for a glass of whiskey I have not got anything like it.

3035. What did they give you in the House of Commons?—There we generally ask for "Baby Powers," and we know what we are getting.

3036. You have no grievance on that subject to complain of—the size of the bottle?—We get what we ask for—a glass or a half-glass, full if we want it.

The witness withdrew

Adjourned for a short time.

Mr. Frank Litherland Teed, called.

3037. (*Dr. Horace T. Brown.*) We are only proposing this afternoon to take you through your proof. It is rather a long document, and we have not had it in our hands sufficiently long to study it as carefully as it deserves. I will therefore take you as minutely as possible through your proof so as to get everything on the notes. You are, I believe, a Doctor of Science of the University of London?—Yes.

3038. Also Public Analyst for the Borough of Islington and for the City of London, and the Borough of Camberwell?—That is so.

3039. You are an analytical and consulting chemist in practice, and you have been in practice for a very considerable time?—That is so.

3040. You are also, I believe, a barrister of the Middle Temple?—That is so.

3041. In 1904 I believe you were requested by the Islington Borough Council to investigate the subject of whiskey?—Yes.

3042. You studied that question for many months?—That is so.

3043. I believe, also, in the course of your enquiries you visited both Scotland and Ireland?—That is so; I was twice in Scotland and once in Ireland.

3044. So that you have inspected both pot and patent stills in action?—That is so.

3045. Will you kindly state what the problems were which were put before you by the Islington Borough Council?—The first question was to ascertain whether the terms "Scotch Whiskey" and "Irish Whiskey" could be defined, and whether those terms belonged exclusively to pot still products. The second problem was: supposing they could be defined, whether it was possible to distinguish them analytically—I mean distinguish them analytically from patent still spirits.

3046. You enquired, I suppose, from persons connected with the trade?—That is so.

3047. Members of the public?—Yes.

3048. Who were unconnected with the trade?—Who were unconnected with the trade.

3049. I suppose you read various papers and literature dealing with the subject?—That is so.

3050. Including the report of the Select Committee of the House of Commons in 1890-91?—Yes.

3051. And a certain article on spirits in the Encyclopædia Britannica?—Yes.

3052. That article, I suppose, is the one in volume 32?—Yes, that is so.

3053. You remember the date of that. It is 1902, I think?—I think it is 1902—yes, 1902.

3054. It is one of the supplementary volumes?—It is one of the supplementary volumes.

3055. You quote here a number of extracts from the poems of Robert Burns, which you state bear out certain points, showing that the Scotch drink was distilled from barley and was known as whiskey?—Yes. I have the volume of Burns here if you would like to check my quotations.

3056. I think we may take them for granted. Perhaps you will kindly recite them, or read them?—Is there a Scotchman present?

3057. Well, I cannot do justice to them, so will you kindly read them?—Not being a Scotchman I will read them as well as I am able.

3058. (*Chairman.*) What is the point of them?—There is one poem on the subject "Scotch drink," and in that poem there are many references to barley and to stills, and to the word "whisky."

3059. It really is relevant to what we are discussing?—I believe so. I considered it so.

3060. Then will you read them?—

"Let other poets raise a fracas,
'Bout vines, an' wines, an' drucken *Bacchus*,
An' crabbit names an' stories wrack us,
An' grate our lug,
I sing the juice *Scots bear* can mak us,
In glass or jug."

Would you like the whole of the poem?

3061. (*Dr. Horace T. Brown.*) No, please call attention to the point as it occurs.—What I desire to call attention to is that in the first verse he uses the phrase "Scots bear," which I am informed means Scotch barley. Then in the second there is:—

"O thou, my Muse! guid auld *Scotch drink*,
Whether thro' wimpling worms thou jink,
Or, richly brown, ream o'er the brink,
In glorious faem."

I desire to call attention to the term "Scotch drink," and the expression "wimpling worms," which means twisting, or meandering, worms, and no doubt refers to the worm of the distillery, because otherwise it has no meaning. Then the third verse:—

"Let husky Wheat the haughs adorn,
An' Aits set up their awnie horn,
An' Pease an' Beans, at e'en or morn,
Perfume the plain.
Leeze me on thee, *John Barleycorn*,
Thou king o' grain!"

I desire to call attention to the expression, "John Barleycorn," in the verse.

3062. (*Mr. Guillemard.*) Is that whiskey or beer?—It is both, because in the second verse you will see he refers to the two, or two different varieties of drink from barley. The words "wimpling worms" refer, I think, to whiskey. The next line is:—

"Or, richly brown, ream o'er the brink."

That undoubtedly refers to beer. Then I should like to refer to the 17th verse:—

"Out owre a glass o' *whisky punch*
Wi' honest men."

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There the term "whisky" first comes in in this poem. In the 18th verse there is:—

"O whisky! soul o' plays and pranks!"

That is whiskey once more. Then the 20th verse:—

"Thae curst horse-leeches o' th' Excise
Wha mak the *Whisky stells* their prize!"

In the 21st verse:—

"Fortune! if thou'll but gie me still
Hale breeks, a scone an' *Whisky gill*."

The term "whisky" is what I wish to emphasise there.

3063. (*Dr. Horace T. Brown.*) You are of opinion that the whole of those quotations, taken together, show that Scotch drink was distilled from barley, and was known as "whiskey"?—That is so.

3064. And that the stills must have been pot stills, because no others were known at that day?—Yes.

3065. (*Chairman.*) What is the date of the poem?—I do not know the date of the poem, but this book is published in 1798. There is a preface, dated 1787. It is "a new edition considerably enlarged." I have not the first edition.

3066. (*Dr. Horace T. Brown.*) You think you have evidence that barley was malted before being used, and you can bring evidence from the ballad of "John Barleycorn"?—Yes, in the same edition. The volume is also dated 1798, and verse 7 contains a more or less allegorical description of "John Barleycorn":—

"There was three kings into the east,
Three kings both great and high;
An' they hae sworn a solemn oath
John Barleycorn should die."

It proceeds to show you how they buried him in the ground. Then in verse 7 the harvest is described:—

"They've ta'en a weapon, long and sharp,
An' cut him by the knee;
Then ty'd him fast upon a cart,
Like a rogue for forgerie."

That is the harvest obviously. Then in verse 8:—

"They laid him down upon his back,
An' cudgell'd him full sore.
They hung him up before the storm,
An' turned him o'er an' o'er."

That undoubtedly refers to the threshing and winnowing. In verses 9 and 10 and 11 there is the malting:—

"They filled up a darksome pit
With water to the brim;
They heaved in John Barleycorn,
There let him sink or swim.

They laid him out upon the floor,
To work him farther woe;
An' still, as signs of life appear'd,
They toss'd him to and fro."

It is a very accurate description of malting.

"They wasted, o'er a scorching flame,
The marrow of his bones;
But a miller used him worst of all—
For he crush'd him between two stones."

The grinding of the malt is there described. In verse 12 it is indicated that an intoxicating drink was the result:—

"An' they hae ta'en his very heart's blood,
An' drank it round an' round,
An' still the more an' more they drank,
Their joy did more abound."

That is all I can get from that poem.

3067. You maintain that all the witnesses before the Select Committee stated—or, at all events, no witness denied, that the word "whiskey" was applicable to the spirit from the pot still?—That is so.

3068. You have not come across any evidence to show you when, if ever, the term "whiskey" was permitted to be applied to the patent still product?—No.

3069. But you state that the why is only too obvious?—That is so, the cheapness thereof.

3070. Then you bring forward that, of the witnesses before the Select Committee, the following, among others, took the view that whiskey must be a pot still product?—Yes.

3071. The first name being Sir Algernon West, the Chairman of the Board of Inland Revenue?—That is right.

3072. Then Mr. Molyneux, Chief Inspector in the Excise?—Yes.

3073. Then Dr. Bell, Principal of the Inland Revenue Laboratory?—Yes.

3074. Mr. Cobden Samuel, Principal Analyst, Custom House?—Yes.

3075. Mr. A. H. Allen, Consulting and Analytical Chemist?—Yes, I have quoted the questions which I more particularly rely on. Would you like me to read those to you?

3076. Is that necessary?—I can find them here.

3077. You have given the references, so we can find them for ourselves?—Yes, if you have a copy of this.

3078. We will do that. You state that the views of the pot still distillers might be regarded as biassed. I suppose that is the views of the pot still distillers being members of the Select Committee?—No, I mean the witnesses.

3079. I beg your pardon?—The witnesses who happen to be pot still distillers.

3080. You have not quoted those?—No.

3081. You regard them as biassed?—No, I do not regard them as biassed, but I thought they might be regarded as biassed. Personally, I do not regard them as biassed.

3082. Then you give us some quotations from the article on spirits which you have already referred to in the 1902 Encyclopædia Britannica, which was written by Dr. Schidrowitz?—Yes.

3083. You say that Dr. Schidrowitz, in this article, used the term "whiskey" as synonymous with British pot still spirits?—Yes.

3084. And you give certain references?—Yes.

3085. And that he also makes a distinction between grain, or silent spirit, on the one hand, and whiskey on the other?—Yes. Would you like the quotation?

3086. You state that the whole article is worth reading, and then you give certain quotations from it which you consider material to the inquiry?—Yes.

3087. Perhaps you will kindly read them to us?—At page 806, second column on the top line, I will only quote a few words so as to show that he used the term "silent" as equivalent to "grain": "but in grain (patent or 'silent' spirit) distilleries." I am not referring to anything beyond that there. Then page 806, second column, line 9: "with regard to the apparatus, the old form of pot still employed in the manufacture of malt whiskey in Scotland and Ireland, and of brandy in France, has undergone little change, as it is generally recognised that for the preparation of this class of spirits, which depend for their characteristic flavours on the retention of a considerable proportion of the volatile bye-products of the wash, the simplest type of still is the best." I quote that also partly to show that there has been no great change in the form of the still. "On the other hand, the patent or grain stills which are employed for the manufacture of silent spirit"—he again uses the term "silent spirit" as equivalent to "grain spirit"—"from which the bye-products must be removed as far as possible, have been improved in many ways. . . . Patent grain or silent spirit is principally used in the United Kingdom in the arts, for blending with malt whiskey, and for the manufacture of gin, British brandy, and various liqueurs and cordials." Then page 807, first column, line 8 from the bottom: "The main constituent of spirits is, of course, ethylic alcohol—spirit of wine—but all spirits contain small but varying quantities of bye-products, and it is by these that the character of a spirit is determined."

3088. (*Mr. Guillemard.*) Is he speaking of pot and patent spirits, or only the one?—He says pot spirits. I think he is speaking entirely of pot, but I will refer to the quotation.

3089. (*Dr. Horace T. Brown.*) It is page 807, first column, line 8 from the bottom?—Perhaps we can gather it from the context. It is the beginning of paragraph 3: "The bye-products are mainly formed during fermentation, but are also to a certain extent pre-existent in the raw materials, or may be formed during the operations preceding and succeeding fermentation. The nature of the bye-products is complex and varies sensibly according to the raw materials

employed and the method of malting mashing fermentation and distillation."

3090. (*Mr. Guillemard.*) It would seem to include both?—I do not think so. I do not know whether I can place my finger on the actual sentence at the moment, but by using the term "silent spirit" he implies there are no bye-products, or so few that they do not count.

3091. Does the expression "silent spirit" occur in that sentence?—It is not in, but I mean it is by the same author. If the spirit were silent there would be no bye-products to characterise it.

3092. (*Dr. Horace T. Brown.*) Would you kindly go on to the next quotation?—Yes. It is p. 807, second column, line 10:—"The fusel oil of British pot still spirits"—then he puts in brackets (whiskey), that is using it as a synonym—"is chiefly composed of amylic and butylic alcohols, whereas in patent spirits propylic alcohol is the preponderating factor; that is, in the finished or fine spirit, for the fusel separated from patent spirit in the course of distillation consists mainly of amylic and butylic alcohols. Broadly speaking, the higher alcohols present in pot are of higher molecular weight than those in patent spirits. Potato fusel contains a high proportion of isobutylic, grain fusel of n. butylic, alcohol." Then line 7, from the bottom:—"Concerning the changes in the higher alcohols, considerable divergence of opinion exists, and it is, to say the least, doubtful whether the fusel oil, to which the baneful effects of new or raw spirits were formerly ascribed, actually does increase with age. The experience of the author is rather to the contrary." Then there is footnote 1, on p. 809, first column:—"The above applies chiefly to grain or 'silent' spirit, in the manufacture of which a product which is practically pure alcohol is desired." I think that answers your question as to whether he was applying it to bye-products. The article which is practically pure alcohol cannot contain a material amount of bye-products. "These methods can only be used to a limited extent by whiskey and brandy distillers, for a complete removal of bye-products also entails destruction of the spirits' character." . . . I have made a note myself that the author is here referring to certain processes for purifying spirit.

3093. Then you make a statement with regard to the proprietors of Dewar's Whiskey, a statement which was sworn to by one of the largest blenders?—No; it is "sworn to be one of the largest blenders."

3094. I beg your pardon. Would you kindly give me the statement of that as briefly as you can?—There was an exhibition at the Alhambra Music Hall, with fields of barley, pot stills, etc., exhibited to show what whiskey was.

3095. What is the date of this?—It was during the progress of the trial at the Police Court. Mr. Bramall, I notice, founded a question on it.

3096. Is it 1905 or 1906?—It would be 1905, November or later. The reference is to the 5th day, p. 50.

3097. Would you kindly go on with your statement?—They showed no maize and no patent still. I believe they were invited to show a patent still, but did not. Whatever their own practice was, their precept was that Scotch whiskey was all malt spirit, produced in a pot still, agreeing with the poet and exciseman, Robert Burns.

3098. Was there any evidence disclosed at either trial that the public have ever been made acquainted with the fact that any patent still, or any modification of pot still, has ever been employed?—None that I could find.

3099. There was a certain amount of evidence with regard to Cambus, I think?—Yes, there was a good deal of evidence of Cambus being sold as a grain whiskey, but the term to the ordinary man would mean something like old grain whiskey, which was a spirit made from a mash containing raw grain and distilled in the pot still, such as some of the finest modern Irish whiskeys. Grain enters into their compositions. I should like to add that Cambus was never heard of in London before the strategic advertisement of the owners, the Distillers Company, which advertisement appeared on the day after the decision at the Sessions. It was not until after the decision at the Sessions.

3100. With regard to the definition of whiskey, Sir James Dewar gave certain evidence, and in that evidence he gave a definition of his own, I believe?—Yes.

3101. The definition is, "It is a generic name given to the varieties of ardent spirit as prepared in Ireland and Scotland from the distillation of a fermented infusion of grain technically called a wash"?—That is so. That was given on the 9th day, at p. 41.

3102. You regard that as ——?—I regard that as being equivalent to saying that whiskey and spirit are synonymous.

3103. There was another witness, Mr. John MacDonald, on the 11th day, p. 60?—Yes.

3104. Did he go so far as to suggest that there would be difficulty in differentiating spirit made from potatoes from Scotch whiskey?—Yes, it is in the sense of a definition. He did not mean it would be difficult to differentiate between the potato spirit and the Scotch whiskey by smelling or tasting it.

3105. By analysis?—Yes.

3106. This witness, Mr. John MacDonald, I see, proposed a definition?—No; by the "witness" I mean myself on this occasion.

3107. You proposed the following definition?—Yes.

3108. "Scotch whiskey means the spirit distilled in Scotland from the fermented wort derived from barley malt in a pot still"?—Yes.

3109. You further suggested a definition for Irish whiskey, which is this: "Irish whiskey means the spirit distilled in Ireland from the pot still from the fermented wort derived from malt or malt and barley, with or without the addition of oats, wheat and rye, or any of them, cereals indigenous to Ireland"?—That is so.

3110. That is your definition?—Yes.

3111. You further said that that definition had been suggested by some of the most important distillers in Ireland?—That is so.

3112. You have seen a good many samples of patent still spirit?—I have.

3113. Have you been able to detect any flavour of whiskey in any of them?—No.

3114. You state there is a characteristic flavour common to all Irish whiskies, and another flavour equally characteristic and common to all Scotch whiskies?—That is so.

3115. Of course there are variations among the distilleries themselves in flavours?—Yes.

3116. You maintain that Irish patent still spirit does not vary in quality from the Scotch still spirit?—That is so. They are practically the same article.

3117. Patent still spirit is practically the same whether it is made in Ireland or Scotland?—That is so.

3118. You also quote the evidence of Mr. Francis Joseph Stevenson, who was a witness for the defence in the police court?—Yes.

3119. Would you kindly tell us what that was?—The question was: "They are practically the same spirit, are they not?—Irish patent and Scotch patent? Yes?—I think they are practically the same spirit as far as my palate goes."

3120. I understand that you are prepared to describe the practice of distillation both in the patent and the pot still?—Yes.

3121. I think we have had a very full explanation?—Well, I did not put it in full because I thought you might have had a lot of it.

3122. Unless any Member of the Commission wishes a further account of it I do not think we will go into that. You make a great point that in the pot still all the bye-products of the fermentation and any essential oil of the malt or grain employed is all distilled off together with the spirit?—Yes.

3123. And that these bye-products are found in the finished whiskey?—That is my opinion.

3124. Then you hand in, I suppose, these results of analyses?—Yes.

3125. I see they are strong feints, strong low wines, mixture of strong low wines and strong feints?—Yes.

3126. And also of four new whiskeys from the same

Mr. F. L. Teed.

18 March 1908.

distillery?—Yes. They are Irish, of course. The Scotch practice is that they do not differentiate between strong and weak low wines, or strong and weak feints. In Ireland the practice is—at all events it was so at this distillery—to separate their low wines into strong and weak low wines, and their feints into strong and weak feints.

3127. (*Dr. Adeney.*) That is not done in Scotland?—None of these distilleries I have seen in Scotland did it.

3128. (*Dr. Horace T. Brown.*) Would you hand in those analyses which you have just referred to?—They are all set out there.

3129. You formally hand them in?—Yes. (*See Appendix D, Table I.*)

3130. You have also examined the "spent wash" and "spent lees"?—Yes.

3131. Have you found anything more than traces of higher alcohols?—No; in some they are quite absent, and in some there are mere traces.

3132. You say that Dr. Bell stated before the Select Committee that "The first product from the pot still, which is called low wines, contains the entire bye-products produced in the distillation of the fermented wash"—Yes; question 3452.

3133. Then there was a certain theory put forward by Mr. Wallace at the police court with regard to the aldehydes in the feints. Would you kindly explain what that was?—The theory was that the aldehydes in the feints were instantaneously oxidised to acetic acid on exposure to air, but no analytical evidence was given in support of this statement, and it was not supported by Sir James Dewar. I mean Sir James Dewar did not put it forward.

3134. You maintain that the patent still is something more than a still, being also a rectifier or fractionating apparatus?—That is so.

3134*a*. You regard the large excess of steam which is employed as having some particular effect?—Yes, having what we call a hydrolytic action.

3135. Destroying the compound others?—Yes.

3136. What is the average amount of ethers in five new whiskeys from different distilleries?—I found it to be 29·2 per 100,000 of absolute alcohol.

3137. With a variation——?—From 21·6 to 37·2.

3138. And the mean of the two samples?—The patent spirit comes after that.

3139. The mean of the two samples of patent spirit?—Was 18·3.

3140. You have also stated there is lost a lot of aldehydes by the so-called ether pipe?—It is an incondensable gas pipe, as it is sometimes termed, at the top of the rectifier.

3141. You also give the average amount of aldehydes in New Irish Whiskey, in New Lowland Malt, and New Patent Spirit. Perhaps it would be more convenient to hand those in?—Yes. I formally hand them in. (*See Appendix D, Table II.*)

3142. Then the patent still separates really into how many products?—Five products.

3143. Tell us what those are?—(*a*) Fusel oil which is not returned to the analyser; (*b*) hot feints which are returned to the analyser; (*c*) spirit which is taken off at the spirit plate; (*d*) condensed products from the ether pipe returned to the analyser; (*e*) aldehydes which are lost in a state of vapour through the ether pipe.

3144. What is the nett result of that?—(*a*) and (*e*), that is to say, the first and last, are separated entirely from the final product, which is also poorer in ethers, on account of the decomposition of the ethers in the analyser. Then Dr. Schidrowitz makes a point which I do not make myself, that the higher alcohols in patent spirit are of lower molecular weight than those in pot spirit.

3145. I think we have already had that?—We have already had the same thing. That was with reference to patent spirit. I thought I had better reproduce that, and refer to the quotation again.

3146. Then there is a reference in your *précis* to the maize flavour?—Yes. There is no maize flavour in patent spirit, and I deduce from that that all essential oils of the maize or other grain are removed.

3147. Is it possible, by any change of operation in the patent still, or by changing the position of the spirit plate, to obtain a spirit less pure than it could possibly yield?—Yes, I think so, but I think, at the same time, it is impossible to obtain a spirit having either the chemical composition or characteristics of Irish or Scotch whiskey.

3148. Do you think it would be possible in a pot still to rectify a pot still spirit so that it might be as chemically pure as a patent still spirit?—No, not if you had no chemicals and no rectifying column.

3149. Then we come to the second question, which was put to you by the Islington Borough Council, as to whether the difference between pot and patent spirit could be detected analytically?—Yes; that was the second part of the enquiry.

3150. For this purpose I suppose you examined a number of pot and patent spirits from Scotland and Ireland?—Yes. I hand in the results. (*See Appendix D, Table III.*) May I point out that among those results you will find a few at the end, the last page, examples of Comber, which is an Irish whiskey; Cambus, two samples; and Old Taylor (Bourbon) whiskey, and American rye. Those were done in the course of the trial, but I do not found my views on those. Cambus, you will observe, has a total coefficient of impurities of 61·4 only.

3151. I think it is desirable to know the particular analyses on which you founded your standard, if you would kindly point them out?—With the exception of the last four.

3152. The whole of Table III.?—Table III. with the exception of the last four samples in Table III (*l.*).

3153. What is this unknown sample 33?—That is included. The distillery is unknown: that is all.

3154–6. From your general results you concluded if the admixture was a material one it could be detected?—That is the conclusion I arrived at.

3157. You have used the ordinary methods of determining the furfural, the aldehydes, the acidity, and the ethers?—Yes. I do not think there is any dispute that these methods are generally accepted.

3158. What method have you used for determining the higher alcohols?—I have used the French method. I believe it is called "official" in my proof. I believe it is official, but I could not place my finger on its being official. It is the process of the Paris Municipal laboratory, worked out by MM. Girard and Cuniasse.

3159. You say there are objections to each of those?—Yes. I have given four methods. There is the Marquardt method, and Dr. Bell's colorimetric method.

3160. What did he standardise with?—I have forgotten, but he did not remove the furfural. He left the furfural, but I forget whether he standardised with amyl or butyl alcohol.

3161. Then the third process?—That is the Allen-Marquardt method. Then there is the French official method, the colorimetric process, and then there is a process of Dr. Clarke's which he told me privately. That is a colorimetric process also, and there are other methods.

3162. You consider there are objections to each one of those methods?—Yes.

3163. And it is a question of selecting the one most suitable?—Of selecting the one most suitable under the circumstances.

3164. And you selected the French method?—I selected the French method.

3165. The French official method?—The French official method—I believe it is official, but I have a doubt about it.

3166. (*Dr. Adeney.*) Is that official for whiskey?—No. The French have not any whiskey.

3167. What is it official for?—Brandy.

3168. (*Dr. Horace T. Brown.*) Would you briefly describe the method?—In this method 20 cubic centimetres are boiled for one hour under a reflux condenser with ½ gramme of metaphenylenediamine hydrochloride, and then distilled. 10 c.c. (at 50 per cent. strength) are treated with 10 c.c. sulphuric acid, boiled 15 seconds, let stand for 45 minutes, and com-

parisons are made with standards containing varying known amounts of isobutyl alcohol similarly treated.

3169. You do not claim to determine the actual amount of the higher alcohols in the sample?—No, but the method gives the amount of isobutyl alcohol which produces the same coloration with sulphuric acid as the higher alcohols in the sample produce.

3170. So that the figure obtained is an analytical factor?—Yes.

3171. Which gives you, on the same sample, constant and comparable results?—Yes.

3172. Both in the hands of the same and different operators?—Yes.

3173. It is practically the method used in the Paris Municipal Laboratory?—Yes. That is where I get it from really, from MM. Girard and Cuniasse's work.

3174. M. Girard, I believe, gives some results on Irish whiskeys?—Yes. I have not brought the whole analyses with me, but the coefficients are 461·9, 477·3; he has some Scotch whiskies giving 443·7, 412·6, 385·4, 442·6, and a whiskey which was undoubtedly not normal whiskey, which was obtained in Paris, which gave only 200·2.

3175. This colorimetric process differs from that adopted by Dr. Schidrowitz?—Yes. He uses amyl alcohol as his standard instead of isobutyl.

3176. That is the only difference?—I think so. I think he removed his furfural also. I have not got the paper in front of me at the moment, but I only point out that no figures which I have obtained will compare directly with Dr. Schidrowitz's figures.

3177. You think certain statements made to the Commission the other day with regard to the Scotch pot still distillers being frightened of the blenders are borne out?—Yes, based on a certain amount of evidence which was given.

3178. Was this evidence given before the Select Committee which you refer to?—No; this is evidence given at the Police Court, Mr. MacDonald's evidence.

3179. That is the evidence of a pot distiller?—That is the evidence of a pot distiller who appeared for the defence.

3179*a*. Will you kindly give us the question and answer?—"(Q). They have threatened to withdraw their orders if you did." The point was as to whether he was allowed to sell small quantities to the public, and the reference to the "they" is the blenders. "(A). No, they have never directly threatened us, but that would be the result."

3180. Have you any further evidence to give with regard to the pot still?—Yes. There was some more evidence given at the police court as to how the pot still whiskey in Scotland is controlled by the blenders. It is given in an answer by Mr. William Sanderson on the 10th day, p. 48. "(A). You could not sell pot still unless you made it purposely for drinking by itself. The ordinary pot still whiskey is made for blending." Again, in the cross-examination of Mr. Robert Douglas, on the 11th day, at p. 10: "(Q). Do you know that they make very rough pot still on purpose for the so-called blending?" "(A). So I have heard."

3181. Then you consider that those answers show not only the relations between the blenders and the pot still distillers, but also prove that some pot still men are making something unfit to drink by itself?—That is the conclusion, if the evidence is trustworthy. It is evidence that was given before the Court.

3182. You have something to say about the different physiological effects of pot and patent products?—Yes. I should like to draw the Commission's attention to an answer of Sir James Dewar, No. 4,373, when we were before the Sessions: "In the West Highlands if you are shooting or in the open air all day you want a highly-flavoured whiskey, and you like it highly flavoured. You like a fusel oil flavour. If you are doing sedentary work in a town, you cannot take whiskey of that class at all. You are miserable in the morning with relatively small quantities, and I know that friends of mine have said to me, 'If I drink your whiskey I never feel any ill effects; if I take what I take at my club I feel at once I cannot do my mental work or writing with the same facility.'" Perhaps I should explain that Sir James Dewar has no connection with the firm of Dewar, and "your whiskey" does not mean "your whiskey" in the sense of being Dewar's whiskey. Sir James Dewar explained he always drank Cambus.

3183. Can you put in certain prices of grain?—Yes.

3184. You put those in evidence?—Yes, formally. (*See Appendix D, Table IV.*)

We have already had the advertisement of Cambus. I do not know whether I can put in these samples of patent spirit, rectified spirit, and some blends. I have, if you care to see them, a few samples like this, and they will go much further than any evidence I can give by word of mouth. (*The witness produced various samples.*) I do not know whether you would like to have the patent still spirit and the rectified spirit for comparison, or whether you would like to have some of the genuine whiskies, and so on.

3185. (*Chairman.*) We would like the pot still first?—What I have done is this. I have taken some patent still spirit, and I have reduced it to about 18 underproof, and I have mixed that with an equal portion of four different spirits—John Jameson's ten-year-old, Glendronach—that is Highland malt, Jamaica rum, and Martell's Three Star brandy.

3186. Are they pot?—They are pot. John Jameson's, Glendronach, Martell's Three Star brandy, and some Jamaica rum.

3187. Let us have the first sample pure by itself before we have any mixture. We will take the pot still pure first?—That is some John Jameson ten-year-old. (*Sample handed to the Commission.*)

3188. Is it by the smell you tell the difference?—You will smell it better in a wine-glass, and possibly you would smell it better if you dilute it a little.

3189. (*Dr. Horace T. Brown.*) We will take that afterwards. You were, I believe, the principal witness in the Brandy Case heard at the North London Police Court?—Yes.

3190. You subsequently gave evidence at the Clerkenwell Quarter Sessions on an appeal from a conviction by the Kensington Bench?—Yes, there was no appeal in the North London case.

3191. That was a brandy case?—Yes, brandy. The other was also a brandy case, and they appealed to the Quarter Sessions from a conviction by the Kensington Bench.

3192. Those cases were under the Sale of Food and Drugs Act?—Yes.

3193. You also, I believe, made a series of analyses of Jamaica rum and also analysed two samples of rum sold as Jamaica rum?—Yes, the allegation against the vendors was that it was not Jamaica rum.

3194. The defendants pleaded guilty?—Yes. In the first case they pleaded guilty, and in the second case they pleaded guilty also.

3195. Those two cases were taken under a different Act?—Yes, the Merchandise Marks Act.

3196. You are prepared to give, if called upon, similar evidence as to brandy and rum?—Yes.

3197. You are confining yourself now to whiskey?—Practically entirely.

3198. You have a certain opinion about the importation of so-called "Imitation Rum"?—Yes.

3199. What are those views?—I have never heard of imitation rum being on sale to the public anywhere. I believe that all imitation rum that is imported is fraudulently sold as rum.

3200. Will you kindly refer to the latter part of your *précis*?—About the Customs?

3201. Yes, give us your opinion as to that?—The Customs have now the power to stop the importation of tea which is not genuine. This power was given them by the Sale of Food and Drugs Act, 1875, Section 30. They also have certain powers over adulterated or impoverished agricultural produce. That is under the Sale of Food and Drugs Act, 1899, Section 1. The addition of other adulterated articles to the list would therefore not create a precedent.

3202. What is the exact inference you wish us to draw from that statement?—It might be objected that if the importation of imitation rum were prohibited it would be putting new duties on the Customs, but already they have the duty of stopping the importation of adulterated or impoverished tea, and they

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have certain duties with regard to agricultural produce.

3203. Then you put in a large number of analyses?—Yes. Those we have already referred to. I formally put them in. (*See Appendix D, Tables I., II., III.*)

3204. (*Chairman.*) The Customs have no power to stop adulterated brandy?—Not at present.

3205. They have, if it is not brandy at all?—I do not think they could stop it if it was not brandy at all. There is a lot of stuff that comes in that is not brandy that they do not stop.

3206. (*Dr. Horace T. Brown.*) Going over this proof, it strikes me there has been an omission which is rather an important one?—Yes?

3207. You nowhere state, as far as I can see, what your minimum standard is for whiskey—what is the minimum co-efficient of impurities?—The minimum I took was 380. You will find it on looking through the analyses. I think on one page there is an Irish whiskey, quite new, 378, which is practically 380, and you will find among the Lowland Malts 381.

3208. 380 was your ultimate standard?—I took 380. The lowest Irish was 378, and the lowest Scotch was 383.

3209. That is not the higher alcohols, but the co-efficient?—Yes.

3210. Including all impurities?—Including all impurities. It is 380 parts in 100,000 of alcohol, not in the whiskey itself, but in the absolute alcohol from the whiskey.

3211. (*Mr. Guillemard.*) Did Mr. Fordham adopt your figure of 380?—That was the figure I put forward at that trial, and Mr. Fordham convicted.

3212. He adopted it, did not he?—No, it did not become material really, because it was admitted by the defence subsequently that there was 90 per cent. of patent still spirit present in both samples, so that it really became a question for the Court to decide whether patent still spirit was whiskey.

3213. (*Dr. Horace T. Brown.*) You have a definite standard to work to?—I take 380.

3214. You use 380?—I use 380. I should like, if I may, to put in another bottle. This is genuine Rye whiskey from America.

3215. Rye whiskey?—Yes, not Bourbon. I had some samples of Bourbon, and I kept one back. It was "Old Taylor Bourbon," but young Taylor called on me, and we had to open it.

3216. There are no other points you would like to call attention to?—No.

3217. (*Chairman.*) You want to call attention to the bouquet of these samples?—Yes. Will you take Scotch whiskey or Irish whiskey?

3218. Will you give me the pure pot still, or the pure patent still?—Yes. Will you have pure Scotch or Irish?

3219. I do not care which—let me have one of each?—That is pot still Scotch (*handing sample*) and I think you have the Jameson there; that is pot still Irish.

3220. (*Dr. Adeney.*) Is that patent still you have *there*?—That is patent still reduced to about 18 under proof.

3221. (*Dr. Horace T. Brown.*) Which is the new patent?—The two-year-old.

3222. In the cask two years?—Yes, two years.

3223. I should have thought it would have acquired more colour than that?—It is reduced. I have the strong here.

3224. (*Dr. Adeney.*) May we have the strong?—Certainly. (*Sample produced.*) That is 22 over proof.

3225. (*Dr. Horace T. Brown.*) That is the patent?—That is the patent.

3226. (*Dr. Adeney.*) That is two years?—Two years in wood. At least that is my information. That is the way it was sent to me.

3227. (*Chairman.*) Will you take this glass that has your sample of the pure patent. Just smell that, and, if you like, taste it. (*Glass handed to witness.*) Would that be recognised as whiskey at all?—I would not like to recognise it as whiskey. I cannot personally tell the distinction betwen *that* and *that* which is pure rectified spirit.

3228. (*Dr. Horace T. Brown.*) Have you the rectified there?—Yes.

3229. I should very much like to try that?—I have also some rectified reduced to the same strength.

3230. I prefer that?—It is there. (*Handed.*) I brought the original bottle. That is about 90 per cent. alcohol. I have here also some Jameson which has been mixed with an equal bulk of patent spirit. That would be known as a blend. That is half Jameson (*handing another sample*).

3231. (*Mr. Guillemard.*) Half the ten-year-old?—Half the ten-year-old taken out of the same bottle and half reduced patent spirit. I have a Scotch blend if you would like it. That is Glendronach blended with 50 per cent. of patent. They are equal bulks. I also have rum and brandy similarly treated with the originals here.

3232. (*Dr. Horace T. Brown.*) Have you any new pot?—I think I have some new pot in the other parcel.

3233. The Chairman would be glad to have some information from you about British brandy as to what it is, or rather what it was, because I think it is not known in the trade now?—I believe it is still known.

3234. British brandy?—I think so. I cannot tell you from my own actual knowledge.

3235. (*Chairman.*) What about the stills?—British brandy, I understand, is something like brandy diluted with patent spirit. That is some Martell with an equal bulk of patent spirit (*handing sample*). That is the Martell without the patent spirit in it (*handing another sample*). That is some John Jameson, new (*handing another sample*).

3236. Is there any distinction between the pot still and the patent still for brandy, the same as whiskey?—That is what we had to fight in the brandy case, and we persuaded the Court, both at the Police Court and at the Sessions, that brandy must be made in a pot still. There was the same fight in the rum case.

3237. Do you know anything about the manufacture abroad?—I do not know much, but it is made abroad from wine.

3238. (*Dr. Horace T. Brown.*) Is that quite correct? You did not limit it to brandy made in a pot still. Is the word "pot-still" a definition?—We got it in.

3239. You mean your standard was such that it would necessitate it being made in a pot still in order to get 80 parts of ethers per 100,000?—That is so; and it was also given in evidence that it ought to be made in a pot still.

3240. There was the same fight in the rum case, you say?—Yes.

3241. I hope we shall have your evidence on the brandy case?—I analysed a number of brandies and I found that 80 was the minimum of ethers, and we certainly prosecuted the owners of certain brandies containing under that, and the Court upheld our view.

3242. There is no question as to what the material should be? They all agreed it should be distilled from grapes?—No; they were not even agreed on that. The defence raised the issue first that the term brandy was not confined to grape spirit, and secondly, if confined to grape spirit it might be grape spirit which had passed through a patent still.

3243. (*Chairman.*) That is as far the Commission will trouble you to-day?—Do you wish me to get some evidence as to brandy, and would you like some rum analyses put in?

3244. We will let you know to what extent we should like to do that, if at all?—Thank you.

The witness withdrew.

Adjourned to Monday, 30th March, at 12 o'clock.

SEVENTH DAY,

Monday, 30th March, 1908.

At the Westminster Palace Hotel.

PRESENT:

LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. Guillemard, Esq., C.B.
W. E. Adeney, Esq., D.Sc., F.I.C.
J. R. Bradford, Esq., M.D., D.Sc., F.R.S.
H. T. Brown, Esq., LL.D., F.R.S.
G. S. Buchanan, Esq., M.D.
J. Y. Buchanan, Esq., M.A., F.R.S.
A. R. Cushny, Esq., M.D., F.R.S.
A. V. Symonds, Esq. (*Secretary*).

Mr. Frank Litherland Teed, recalled.

Mr. F. L. Teed.

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3245. (*Dr. Horace T. Brown.*) Can you tell us the approximate date in 1904 when the Islington Borough Council requested you to investigate the subject of whiskey?—Approximately October or November.

3246. 1904?—Yes. The only way I can fix it is that it was in December, 1904, that I first visited Ireland in this connection. It may have been earlier.

3247. May I ask whether this request originated with the Borough Council, or whether you made any suggestion or recommendation to them in the first place?—As far as I am concerned it originated with the Islington Borough Council. I made no suggestion.

3248. Then the date you have given us, I suppose, was subsequent to Mr. Fordham's decision on the brandy case?—Yes.

3249. Which, I believe, was given on May 30th, 1904?—I think that was about the date. I can fix that date if you like.

3250. That is near enough. In the brandy case both your definition and the analytical standard you fixed for genuine brandy were upheld by the magistrate, I believe, and a conviction followed?—Yes, I think he upheld the standard, but the main decision in the brandy case was this. In Mr. Fordham's judgment he pointed out that most of the witnesses had stated that brandy must be a spirit derived from the grape, only two witnesses had stated that it might be a spirit derived from other sources mixed with grape spirit.

3251. That was the point I wanted to get at. There was no serious objection raised by the defence to your definition of brandy in so far as it must be a spirit exclusively derived from the grape. You were all fairly agreed on that point?—The defence opened the other way, that it might be mixed with grain spirit, and two of their trade witnesses maintained that it might be. It was brought out in evidence that spirit was produced from sick wine, and wine that would produce a bad brandy was passed through a patent still or some such apparatus and a featureless spirit was produced from it, and Mr. Fordham held that that featureless spirit was not brandy.

3252. The question turned mainly on whether a certain minimum standard, which you fixed for the compound ethers was one which would with certainty differentiate the grape spirit from the mixture of grape and grain spirit?—Yes, I think it really was that. Would you allow me to put in a copy of Mr. Fordham's decision? I have not one with me, but I can send you one.

3253. I have seen it, thank you. The brandy case, then, is by no means on all fours with these whiskey cases, in which both your definitions and analytical standards have been strongly contested?—I do not know. I think the defence certainly contested the definition and the standard also in the brandy case.

3254. May I ask when you first commenced your investigations of whiskey? You have given us when you were requested to do it?—I think I got samples shortly after the request and began to analyse them.

3255. That was when?—In 1904.

3256. In October, 1904?—It may have been earlier.

3257. Had you any special knowledge of whiskey before that time?—From the chemical point of view?

3258. From the chemical point of view?—No, not specially.

3259. Then how long in all were you studying the question before the prosecution commenced on November 6th, 1905?—I think it was about six months.

3260. During that period of six months, I suppose, you had your usual official duties to perform?—Yes.

3261. You also had to attend to your private practice?—Yes.

3262. Can you give us any idea of the proportional amount of your time which was occupied by these important whiskey studies during that six months?—It is rather difficult because, as you know, in a laboratory several things may be going on at the same time. It did not absolutely stop laboratory work. The number of samples I analysed in order to obtain my standard was, I think, 50.

3263. I will ask you about those presently, if you do not mind?—That was the analytical portion of the investigation. The rest of the time was whenever I met a man who was more or less connected with the trade I mildly cross-examined him. Also I enquired of anybody I happened to meet what his views on whiskey were and why.

3264. You were, I suppose, fully alive to the enormous commercial interests involved and to the grave responsibility you were undertaking in attempting to fix for the first time a legal definition of whiskey?—I take all that in a day's work. A public analyst has enormous responsibilities.

3265. You were aware, of course, before you commenced that a Select Committee of the House of Commons in 1890-91, after a long enquiry, had refused to attempt a legal definition of whiskey or to put any restrictions on the blending of a pot and patent still product?—I knew that, yes. I read the report of that Committee.

3266. You were able by studying the question for a few months to come to a positive conclusion which happens to be diametrically opposed to the finding of that Committee?—I do not think it is diametrically opposed. They did not find it, but I think there is material in their report which supports my contention.

3267. I am speaking of the report alone?—I am speaking also of the report alone, not the evidence.

3268. So that single-handed—I suppose you were single-handed in this investigation?—Unfortunately.

3269. So that single-handed and without consultation with anyone else and with no further evidence than you could collect for yourself, you arrived at a satisfactory definition of whiskey both Scotch and Irish, and also an analytical standard which will differentiate pot still whiskey from a blend of the products of the pot and patent stills?—I arrived at a definition and I arrived at what I may call a working standard. I was not the first to arrive at a working standard. That was known, as was pointed out by Sir James Dewar at the time of the Commission. It is nothing new to be able to distinguish between pot and patent still.

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3270. I suppose you will admit that in considering such a question as this, the legal definition of a manufactured article, and the standards of purity laid down for the guidance of the analyst can be considered quite separately?—Would you mind repeating your question; I have not quite grasped it.

3271. Will you admit that the question of legal definition may be considered quite apart from the question of analytical standard?—Absolutely.

3272. The definition, for instance, may be quite correct, and an analytical standard may ——?—Be quite wrong.

3273. May be with increasing knowledge subject to modification from time to time?—Certainly, I quite agree with that.

3274. I propose therefore, in the first instance, to consider your definitions only?—Certainly.

3275. And to ask for information as to how you arrived at them. You said that Scotch whiskey means the spirit distilled in Scotland from the fermented wort derived from barley malt in a pot still?—Yes.

3276. And you define Irish whiskey as "the spirit distilled in Ireland in a pot still from the fermented wort derived from malt or malt and barley with or without the addition of oats, wheat, rye, or any of them, cereals indigenous to Ireland"?—Yes.

3277. Mr. Bramall, in his evidence, added to this a general and more comprehensive definition of whiskey of all classes, which ran as follows: "Whiskey is a spirit distilled from grain in a pot still." May we take it you accept that definition also?—Yes.

3278. Then there are three definitions?—Pardon me, that whiskey is a spirit distilled from grain in a pot still would embrace the American and Canadian whiskies.

3279. Yes, it is a generic definition?—As long as you understand that I mean this to embrace those whiskies.

3280. Quite so?—That it is too vague for Irish or Scotch whiskey.

3281. But Irish or Scotch whiskey will be included in the last definition?—It would be included, but I consider that the term grain should be restricted when used in connection with Irish and Scotch whiskey.

3282. That we will come to presently?—It should not include maize or rice.

3283. You accept that as a general definition of whiskey?—Certainly.

3284. You have told us now that your investigations during those six months included two visits to Scotland?—Yes.

3285. One to Ireland, during which you inspected both pot and patent stills in action, and that you made inquiries from persons connected with the trade and from members of the public unconnected with the trade, and, further, that you read papers dealing with the subject, which papers you have specified?—Yes.

3286. I should like to take your Scotch visits first. Will you please tell the Commission how many distilleries you inspected in Scotland?—Three, I believe.

3287. I am speaking now of distilleries altogether?—I did not see any patent stills in Scotland.

3288. Of these three how many were Highland pot distilleries and how many Lowland pot distilleries?—They were all Highland.

3289. Three Highland distilleries and no patent distilleries?—No patent.

3290. Then you visited none of the Lowland, the Islay, or the Campbelltown distilleries?—No.

3291. We have been told by Mr. Tedder that there are 140 separate pot distilleries in Scotland?—Yes.

3292. Do you think it probable that by visiting three of these, all Highland distilleries, you could have gained a sufficient insight into the general methods in use in the whole of Scotland?—I was informed by the distillers that I met that the practice was the same throughout Scotland, and it certainly was the same in those three distilleries.

3293. Now with regard to Ireland, how many distilleries did you visit there?—One I visited throughout, I suppose, three days, and watched it very carefully. That is a pot still; another pot still distillery I simply walked through; in fact, two others I just walked through, and I saw a patent still in action.

3294. Then you only saw three pot distilleries?—Yes—one thoroughly from start to finish.

3295. I think you have said elsewhere that you saw four pot distilleries and one patent in Ireland?—It is very possible I did. One goes in and sees a pot still. I do not know whether I ought to classify that as seeing a distillery or not.

3296. So that, taking Ireland and Scotland together, out of the 177 distilleries you visited only eight or nine?—Less than that.

3297. That is about 5 per cent. of the total number?—Something like that.

3298. That is a little over-stating it, perhaps?—Yes.

3299. Of these how many were patent distilleries?—One.

3300. Did you spend any great amount of time in these eight distilleries?—In one Scotch I spent about two days, and I think about three days in one Irish.

3301. Did you spend a long time in the patent distillery?—No, not very long.

3302. As far as your observations went did you find any material difference in the construction of the pot stills in Ireland and Scotland?—It struck me that the Irish were very much larger stills.

3303. But they were much on the same lines?—Yes, but they worked with larger stills. Of course, there is a difference in the process. You do not want that.

3304. That I understand. It is the construction of the still I was speaking about more particularly. You will no doubt agree with me that in framing a definition we must not use terms which are not in themselves clearly defined?—Naturally.

3305. So could you define a little more closely what it is you mean by a pot still? I mean generally. I do not ask you for a particular description of the still?—I do not know how to define a pot still. There is one behind us there. That is what I understand to be a pot still.

3306. That you regard as a typical pot still?—As a typical pot still.

3307. Would the term be applicable to a still of that general character if it happened to be continuous in working or were furnished with a rectifying head, or we will say was heated by steam instead of by the open fire?—I should say that it would be applicable to it if heated by steam and not by the open fire, but I should bar the rectifying head.

3308. Did you see any stills of that kind in the six or seven pot distilleries which you visited?—I saw the line arm, which I should not call a rectifying apparatus—it is so feeble—and I saw some sort of enlargement of the outlet from the still, which was kept cool, in one Scotch distillery, but I should not even call that a rectifying column.

3309. Supposing there were a still of that kind amongst the 158 pot distilleries which you did not see, would you be prepared to recommend that proceedings should be taken against those distillers if they presumed to sell their product as whiskey?—That is a question of degree entirely; if they put a real rectifying column so that they get a product which is to all intents and purposes patent spirit, certainly, but if the rectifying column, if present, is of a very feeble nature, I should think it ought to be disregarded.

3310. (*Chairman.*) What do you mean by disregarded?—It should still be considered a pot still.

3311. (*Dr. Horace T. Brown.*) Now let us come to the materials used by the pot distillers. In the course of your enquiries in Scotland did you come across any evidence of the use of unmalted indigenous cereals, such as barley, wheat, oats or rye?—No.

3312. You know of no evidence to show that such unmalted cereals are used, or have been used, in the preparation of Scotch whiskey?—By "have been" to what date are you referring—to any date?

3313. Yes, any date?—I came across in some books of about 80 years ago, perhaps longer than that, that certain raw grain was used in Scotland, but I understand it is not used now.

3314. One point that puzzles me a little in your three definitions of whiskey, Scotch whiskey, and Irish whiskey, is this. A pot distiller, provided he works in Ireland, is to be permitted to use along with his malt any proportion he likes of raw unmalted grain in the shape of barley, wheat, oats and rye, and to call his product Irish whiskey. If that distiller migrates to Scotland and wishes to use exactly the same materials he is only to be allowed to call his product whiskey, and although it may be whiskey made in Scotland it is not Scotch whiskey. This seems a curious refinement of expression which you will no doubt be able to explain to us?—The definition was founded on the fact that Irish whiskey almost invariably does contain the constituents, or some of them, that are embraced by that definition, and what is commonly known as Scotch whiskey does not contain them.

3315. Then your definition of Scotch whiskey is based entirely on present practice, that is, you maintain that no raw grain is used in a pot still?—I believe not. There was, I think, some evidence given that at one of the D. C. L. distilleries a certain amount of raw grain was used.

3316. In a pot still?—In a pot still, yes.

3317. You would bar that, I suppose?—It is not what would be understood by Scotch whiskey.

3318. According to your definition?—My definition, of course, is my attempt to reflect the general opinion that I have gathered from other people.

3319. So that if it could be shown that at the present time there is a certain amount of raw grain used in the pot distilleries of Scotland how would that affect your definition? You have ruled raw grain out by your definition?—Yes.

3320. Why did you do that if you have reason to think that any raw grain is at the present time used in Scotland?—I did not know of any raw grain being used until the evidence of one of these D. C. L. men was given in the case.

3321. That means, I suppose, that your enquiries were not sufficiently extended before you made your definition?—I do not think they publish the fact that they used raw grain. I think my enquiries would probably not have ascertained it.

3322. Suppose it could be shown that unmalted grain has within the last 50 or 60 years been extensively used in Scotch pot distilleries, would it have any influence with you?—I think it would, if it could be shown.

3323. It would have influence?—Yes.

3324. I have here an interesting little book which I have had in my possession for a great number of years, on "Brewing and Distillation," by Dr. Thomas Thomson, F.R.S., who was at one time Professor of Chemistry in the University of Glasgow. It is dated 1849, and at page 329 there is a chapter on the manufacture of whiskey, which opens as follows: "The kind of grain employed in this country" (he is, of course, speaking of Scotland) "for manufacturing whiskey is barley. The processes are easier, and the spirits produced have a more agreeable flavour when the barley is malted, but in consequence of the duty upon malt a portion of unmalted grain has been introduced into the distilleries. This portion has been gradually increased and amounts very commonly to four-fifths, and in some cases, it is said, to nine-tenths of the whole mixture of raw grain and malt." That is in 1849. Is not this quotation sufficient in itself to show that unmalted grain has been used, and used largely for the preparation of Scotch whiskey?—I think I just mentioned that I knew it had been formerly used many years ago.

3325. Exactly. Do you think, in that case, it is reasonable to frame a definition of Scotch whiskey on your sole responsibility, debarring Scotch distillers under pains and penalties from using a class of material which they have certainly used in the past, and which you admit may be legitimately used in Ireland?—I think that my definition, as I have already explained, was an endeavour to reflect the facts of the case. If I have been misinformed as to the facts, of course, my definition requires altering. If raw grain is used, and has been for many years used in Scotland—I do not mean years and years and years ago, but I mean within a reasonable time—of course the definition would have to be altered so as to include that, and you would have to make two Scotch whiskies; you would have to make a Scotch malt and a Scotch grain whiskey.

3326. But we are talking of these definitions as they stand?—Certainly.

3327. Not as you would like to alter them now you have heard further evidence on this question. I should now like to ask you about maize. In the first place, do you object to maize in any way on the score of public health?—No, that is not my department. It has nothing to do with public health.

3328. Taking the pot distilleries first, do you object to their using a certain proportion of maize in their grist if they think fit?—Yes, I do object. I should object to drink the product.

3329. But you know we have had evidence from Mr. Tedder, the Chief Inspector of Excise, that maize is used in a few pot distilleries?—I was not aware of that.

3330. His exact words were these, speaking of pot distilleries: "In quite a few maize is used." We may take it, I suppose, that this occurs somewhere amongst the 95 per cent. of distilleries which you did not visit?—Presumably. It certainly did not occur, or if it did occur at the distilleries I did visit I was informed that it did not occur.

3331. Would you in such cases be prepared to enforce penalties against these particular distillers for infringing your definition supposing they sold their spirit as Scotch or Irish whiskey?—Well, it is not either Scotch or Irish whiskey. It is something different from the bulk of Scotch whiskey according to Mr. Tedder's evidence.

3332. You are not prepared to admit that the spirit made from the patent still under any circumstances has a right to be sold as whiskey?—No.

3333. Not even as grain whiskey?—No.

3334. This I suppose is quite independent of the materials which have been used in its preparation?—Quite.

3335. That is to say, you would deny the name whiskey even to an all malt wash if it was distilled in a patent still?—Absolutely.

3336. Before you framed your definitions you say you made inquiries of persons in the trade and members of the public unconnected with the trade, and so on. Taking first of all persons in the trade, have you any idea how many individuals you consulted in this way?—About a dozen, I should think.

3337. A dozen only?—Not more, certainly.

3338. Then as regards members of the public, can you give us the least idea of the number of those with whom you discussed these questions?—No, that is very difficult. It might be 20 or 30, or more.

3339. Were they mostly in Ireland or in Scotland?—Chiefly London, I think.

3340. And did you find that most or all agreed with the definitions you finally drew up?—I did not submit the definitions to them, but the general opinion of the public, taking the public unconnected with the trade, was that they all had the idea that whiskey was produced in a pot still. They had never heard of any other sort of still.

3341. I suppose you framed your definitions upon what they told you?—Yes.

3342. Upon the general feeling of the people whom you consulted?—Yes.

3343. I suppose you are aware that there were several experienced witnesses before us the other day giving evidence on the part of the Pot Distillers who by no means appeared to accept your definitions as they stand. I should like to glance at that part of the evidence for a moment. Is it a fact that some of these gentlemen were consulted by you during your preliminary investigations?—Some of them, I think. If you mentioned the names I could tell you.

3344. I will come to those presently; but in order to refer better to your definitions I should like in the first instance to label them 1, 2, and 3; No. 1 being your definition of Scotch whiskey; No. 2 of Irish whiskey; and No. 3 of whiskey generically?—Yes.

3345. First of all, take Mr. Jameson's evidence. In answer to questions 1590 and 1591 he stated that he would not deny the name of whiskey to any pot still

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distilled spirit, which was in part derived from maize?—I think I have agreed with that.

3346. If in your definition 3 you hold that "grain" includes maize, I think you might claim Mr. Jameson as an upholder of your definition?—Certainly. I intended my grain to include maize, otherwise I should have said that Bourbon whiskey was not whiskey.

3347. Then there is Mr. Alfred Gilbey at Question 2087, who would not deny the name of Scotch whiskey to a pot still whiskey made with unmalted grain. Does not this contravene your No. 1 definition?—To a certain extent it does.

3348. Then again look at Question 2055. Whilst denying to a patent still product the name of Scotch whiskey, either alone or blended with pot still whiskey, he handed in certain price lists in which declared blends of this nature appeared under the general heading of Scotch whiskey?—Is that a question?

3349. I want to point out to you that some of these witnesses who were called for the pot distillers certainly did not agree with your definitions?—Mr. Jameson does.

3350. Some of them?—With regard to that last statement of Mr. Gilbey, he explained at the Police Court that he was waiting for the definition so that he should then alter his label according to the decision of the Court.

3351. Still there was evidently a feeling in his mind that he could legitimately include declared blends of that kind under the heading of Scotch whiskies?—Yes; with an explanatory label that they were not.

3352. But the statement of whether it is a blend or not does not affect the question of whether it is or is not a Scotch whiskey. It cannot alter the nature of the thing?—I think so.

3353. Do you think by simply declaring that a certain thing is a blend of pot and patent still spirit, you may then call it Scotch whiskey; whereas without that declaration you cannot call it Scotch whiskey?—I think you will find that that is the law in this country, that if I sell you milk and put on the label "This is milk and water"; I might have the big label "Milk," and underneath "This is a mixture of milk and water." There is no offence under any Act that I am acquainted with.

3354. You think the mere act of declaring this as a blend entitles you to call it Scotch whiskey?—Yes, because you are then explaining that it is not.

3355. How can you call a thing by a name and then explain that it is not the thing which you are selling?—Take French coffee: "This is a mixture of the finest coffee with the best chicory," in small letters. There is no offence. I am not upholding that this is the finest way of doing things, but I am explaining that that is the way things are done; and if you have full notice of what you are buying, you are not prejudiced by getting something which is different from what the label says it is.

3356. Then there is Mr. Daly, of Messrs. M. D. Daly and Sons, at Questions 2228 and 2280. He told us that he sells a blend of 80 per cent. of patent spirit and 20 per cent. of pot as whiskey, and invoices it as whiskey. Is not this entirely at variance with your No. 3 definition?—I do not consider that whiskey. I was not present during Mr. Daly's evidence.

3357. Then we come to Mr. Pheysey's evidence, a gentleman of very large experience, who told us that he had sold under the designation of Scotch whiskey declared blends of pot and patent?—Declared blends, yes. If you tell the people what they are getting it does not matter what you call it. Call it brandy if you like.

3358. And there was no question in his mind as to the right of calling this blend Scotch whiskey. You think that the declaration makes all the difference?—It is a mere question of law, and all the cases that have been decided are in favour of that.

3359. Further, that he calls these blends Scotch whiskey because the name has been applied to patent still spirit made in Scotland for so many years that it has been sanctified by the old usage?—I do not remember that. I thought Mr. Pheysey's views were quite different.

3360. It is Question 2809. Have you found that?—Yes.

3361. Does not this evidence at all shake your confidence in the accuracy of your definitions 1 and 3?—Pardon me; you did not read the whole of that gentleman's answer. "But I do not consider that patent still spirit is whiskey."

3362. I was coming to that point presently. It is only fair, of course, to state that Mr. Pheysey personally did not agree with some of these practices?—No.

3363. And notwithstanding his very long experience he realises the great difficulties attending the whole question?—It is a very difficult question.

3364. And with great modesty he told us that he did not care to set himself up as a person who has a right to lay down the law in such matters. That is after an experience of 45 years?—Please do not imagine that I am anxious to lay down the law; it is a position that I was forced into.

3365. I should now like to turn to the literary evidence which you put forward. You gave a welcome relief to the proceedings the other day by quoting some passages from the Exciseman poet Burns. Your object was, I take it, to show that in the latter part of the eighteenth century whiskey was prepared in Scotland from malted barley only, with the aid of a pot still?—Yes.

3366. I am sorry to say anything about this pleasant episode, but since you have seriously brought forward Burns as a witness, it will be necessary to examine your deductions a little closely perhaps. I suppose we may all take it for granted that whiskey in the times of Burns must have been distilled from a pot still of some kind, since the forerunner of all the patent stills, invented, I believe, by a Frenchman named St. Marc, was not introduced into Great Britain until about 30 years after his death. I will ask you, are you sure that the whiskey of that day was prepared exclusively from malted barley, and that unmalted grain was not also used?—No, I have told you already that I believe unmalted grain was used somewhere about that time.

3367. But you brought forward the poet Burns as a witness in favour of malted barley being used for whiskey in those days?—Yes.

3368. We want to see, was malted barley used exclusively in those days, or was it mixed with unmalted grain?—I really was not alive at the time; I cannot say.

3369. The history of the thing is open to us all. The other day I was looking through a small collection of pamphlets, and I should like to ask you if you have seen them. They were printed in Edinburgh in the year 1785, on behalf of the Landed Interests of Scotland?—No, I have not seen them.

3370. There is one on the Distillery, containing at page 78, the following passage—this is in 1785: "He" (that is the distiller in 1785) "mixes a certain proportion of the best malt with the meal of blacked or damaged wheat or barley, or with the meal of barley of inferior quality, or with the meal of rye; in short, his greatest consumption consists of damaged grain, or grain of inferior quality"?—Surely, I do not think anyone maintains that a mixture prepared from damaged grain is whiskey. I do not think that would be seriously contended by anyone.

3371. There was only one spirit produced in Scotland in those days?—Most Scotchmen would not have touched that.

3372. I am bringing this forward merely as a proof that there was unmalted grain used in those days. (*Chairman.*) That, I should think, is a special case, because we know that no damaged grain, or grain that is rotten, is used by distillers, but all the distillers that have come before us said such grain was never used for preparing spirit as a potable spirit.

3373. (*Dr. Horace T. Brown.*) Did you ever hear of a Report of the Select Committee of the House of Commons which sat in the years 1798 and 1799 to consider the state of the laws relative to distillation of spirits in Scotland?—No, I did not.

3374. I have it here. It is a very voluminous Report, consisting of about 1,000 pages of evidence, and it contains a great deal of interesting information about the methods of the Scotch distillers of whiskey in those days. That is only three years after

the death of Robert Burns. There are numerous passages in this Report which show that raw unmalted grain was used by the Lowland distillers. If you will allow me, I will quote one only from page 349. This Report is extremely interesting in many ways. It contains a vast amount of information, which I cannot say I have been able to digest at present, on the practice of distillers in Scotland at the latter part of the eighteenth century. Here is the passage at page 349 of the Report. It runs as follows: "Those in the Lowlands of Scotland who are called the great distillers, have learned their business from the English, and copy them in their method of manufacture. They use a mixture of malted and unmalted grain, of which the greater proportion is unmalted." Then there is also a series of tables given showing that 14 out of 30 Lowland distilleries in 1799 used unmalted grain. Do you not think that this, to some extent, disposes of your contention that the whiskey whose praises the poet Burns sang was whiskey exclusively derived from malt?—He was probably singing the praises of that spirit.

3375. Of the malt spirit?—Yes.

3376. He was in a Lowland distillery, you must remember, in Dumfries?—Perhaps they did not like the raw grain known.

3377. There is another point in connection with this quotation from Burns you have given us. Can you inform the Commission as to what is meant by "Scots Bere"?—Two glossaries I looked up gave the term "bere" as barley.

3378. Yes, as barley, but do not you know what kind of barley it is? It is a sort which differs from the barley which is mainly used in Scotland now?—No.

3379. You do not know that the old Scotch bere or bigg is a six rowed barley?—No.

3380. So different in its quality, and general appearance, from the modern two rowed barley that the botanist Linnæus made two species of them. That is the two rowed barley, and that is the six rowed barley. Would you like to see them?—I should like to see them.

3381. Are you aware that the composition of the worts from the bere or six rowed barley is different in some respects from that of the worts made with the modern two rowed barleys?—No, I have not had any opportunity of trying that.

3382. I suppose you will admit that the composition of the worts influences to a very large extent the spirit distilled from it?—In which way?

3383. That if you have two worts prepared with very different materials, and having necessarily a difference of composition, the spirits which will be distilled from those two worts will have certain differences?—Yes, provided the things are different in flavour, and so on.

3384. Does it not follow that the whiskey made from the bere, or six rowed barley, the whiskey referred to by Burns when he was gauging in the Distillery at Dumfries, must have been somewhat different from the Lowland whiskey of the present day?—If you will allow me my recollection just enables me to remember that Burns, in that same poem, refers to the grain as "John Barleycorn." I fancy that he meant barley, whether the term "beare" is used in a different way, or not.

3385. I am coming presently to an interesting quotation from that Report. I suppose, however, you are not such a downright purist and upholder of ancient methods that you would desire on the authority of your Burns quotations to compel modern distillers to use bere instead of the two rowed Chevalier barley?—No.

3386. The Chairman wishes me to read a paragraph here. It is on page 201 of the 1799 Report of the Select Committee. It is a note attached to a Table giving the amount of spirits produced, and the materials from which those spirits were derived. It is under "Grain used." "This part of the Account could commence only at the 10th August last, when the Duty on Raw Grain, and the officers' right to take account of it, and of the malt used before ground down, took effect. Raw grain appears to have been used by 14 distillers only, and except by one of them in very inconsiderable quantities, which gives reason to suspect that a full account has not been got by the officers, and that much raw grain may have been used without duty by mixing it with the malted grain, instances of which have in fact been discovered, but it is very difficult, if not impossible, to distinguish the one from the other after being ground down, or mashed." If any other evidence were required to show that unmalted as well as malted grain was used in the time of Burns is it not shown by this passage from the 1798 Report of the Select Committee? It is on page 4, and it runs as follows:—"The corn spirits manufactured in Scotland are made either from malted barley or bere, called also bigg, which is a grain of the same nature, but inferior in quality to barley"?—"The same nature."

3387. "Or from a mixture of such malt, and of barley, or bere, raw, or unmalted." And then in a foot note on the same page there is this statement:—"Wheat has been sometimes used by Scotch Distillers, but it is believed not of late years on account of the high price of that grain." As you have cited the poet in evidence that the pot still was used in his days, I should like to ask you if you know anything about the great controversy which went on in Scotland in the latter part of the 18th century as to the particular form of still which should be allowed?—Do you mean an Excise controversy?

3388. It was considerably more than that. You will find a full account of this great war of the stills in the Parliamentary Reports of 1798 and 1799, and it appears to have some points in common with the controversy between the pot and patent distillers of the present day. It is impossible by making a few quotations to bring the whole thing together, but if the Chairman will allow me I will summarise the main points in a few words?—I think my recollection is that the controversy there was this: The duty was levied on the stills, and the point was to try and make a still that would distil as rapidly as possible so that they could get less duty per gallon of spirit. Is that it?

3389. That was to some extent the question?—I was aware of that.

3390. But that is not quite the whole of it. Prior to 1786 the duty in Scotland was levied on the amount of wash, and the yield of spirit, but in that year the system was altered by imposing an annual licence on the distiller based on the capacity of the still, and on the assumption that it could not be discharged more than about four times a week. These new regulations stimulated the progressive distillers in the Lowlands to alter and improve the mechanical arrangements of their stills, in the direction of increasing their capacity, and increasing the rapidity of their discharge. This, of course, led to a constantly progressive increase in the Revenue charges for licences, which, however, did not by any means keep pace with the increasing ingenuity of the Lowland distillers. The alterations in the stills mainly consisted in reducing the capacity and depth, the depth being finally reduced to a very few inches?—Yes.

3391. Figures of these two forms of still are given at page 252 of the 1798 Report. By this arrangement the still which formerly could only be discharged four times a week was so far improved that in its later forms it could be filled and discharged in eight minutes. The result was that the Lowland distillers effected such savings, even with a constantly increasing licence, that they were enabled to put their spirits on the market at a very low price, and to undersell, even in their own district, the Highland distillers, who were less progressive, and were also under a different set of Excise restrictions. The Highland manufacturers who adhered to the old processes of slow distillation in the old-fashioned pot still bitterly attacked the Lowlanders for using the new-fangled still on the grounds that they produced spirits at a much cheaper rate, and that these spirits were not the real article, inasmuch as the rapid Highland process brought over into the spirit more of what we should now call the bye-products. In consequence of this the Highlanders asserted that the Lowland spirits were much more injurious to the health of the consumer than those produced by their own slow process in the old stills from malt alone. Do you not think that in this fight between the big pot stills and the little pots there is an instructive parallel with the pot and patent still controversy of to-day?—No.

3392. And that the main difference appears to be that the old-fashioned distillers of those days found

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fault with the progressive small pot men for leaving too much of the bye-products in the whiskey, whilst to-day it is the other way about?—No, I do not agree with that at all.

3393. You think there is no parallel there?—Absolutely none.

3394. It struck me there was. You would like, I expect, to see this?—Thank you, it is very interesting.

3395. The literature of whiskey is a pretty extensive one, and I suppose you have made yourself thoroughly conversant with the papers, especially the scientific papers, on the subject, and have not confined yourself to those you have mentioned in your *précis*?—I did read some others.

3396. You mentioned that all witnesses examined before the Select Committee of 1890-91 stated or admitted, or at all events no witness denied, that the word whiskey was applicable to the spirit from the pot still?—Yes, I think I am right there.

3397. I suppose you do not mean exclusively applicable?—Oh, no.

3398. So that the statement really amounts to this, that the spirit from the pot still is whiskey?—Yes.

3399. But, after all, the point is not whether it is whiskey so much as whether it is exclusively whiskey?—Yes.

3400. You say that you have not come across any evidence to show how or when, if ever, the term whiskey was permitted to be applied to patent still products?—Yes.

3401. This sentence is a little obscure, I think, and I must ask your help to straighten it out so as to get at your exact meaning?—Certainly.

3402. Does it mean that whilst admitting that patent still spirit has been known as whiskey, you cannot trace how or when permission was given to designate it as such, or even if such permission were ever given?—It means that I am quite unaware as to what right the patent still men have acquired at any time to call their totally different product by the name of a well-known product.

3403. Yes, but it rather admits, does it not, that this spirit had been known as whiskey?—It had been sold as whiskey.

3404. I wanted to be quite sure exactly what your meaning was. Permission by whom?—By anybody.

3405. I do not quite understand the word permission there. Where would you expect them to obtain permission?—I should have expected it from the Excise, because the other stuff was known to the Excise at one time as whiskey.

3406. Is it not the contention of the patent still men that patent still spirit and blends of patent and pot have been known as whiskey for a great number of years?—Yes. The answer is that milk and water was sold as milk for a great number of years until the year 1875; it was known as milk, and sold as milk, and bought as milk.

3407. Do you remember the evidence of Mr. James Wilson before the Select Committee of 1890-91?—I have no doubt I have read it.

3408. The gentleman who represented twenty-five wholesale houses in Belfast. If you have the report it is question 3457. He says: "In Ireland patent still has always been whiskey since the patent still was started." That is correct, is it not?—Yes, that is practically right.

3409. Then you claim Sir Algernon West as having been on your side in that Committee?—Yes. I think I gave you the references to that.

3410. Yes. In answer to question 41, to which you referred, Sir Algernon West said: There is, as you know well, no legal definition of whiskey, but, broadly speaking, it is made from malt or malt and grain, and is distilled in pot stills. That is what we usually accept as the definition of whiskey, but the term whiskey is also applied to spirits distilled in 'Coffey,' or patent stills." He does not say there "misapplied"?—No, but he does previously. He cannot be saying it every two minutes. He has given his own definition.

3411. That is the quotation you gave us, question 41, is it not?—41 and 48.

3412. That is 41?—The whole of his evidence is really as I have stated I think. If you read it carefully you will find it is entirely in my favour.

3413. I rather question that. You have also referred to the evidence of Mr. Molyneux, that whiskey ought to be a pot still product, and you have quoted 348, 349, 350 and 355. Will you refer to 420 and 421?—I have 420, yes.

3414. Do you not think that those replies indicate that what Mr. Molyneux had specially in his mind when he recommended certain restrictions with regard to blending referred to German spirit or foreign spirit generally rather than to British patent spirit?—You mean question 420: "Now with your large experience can you suggest a means by which Parliament can be assisted to a conclusion in preventing a fraud of that kind?"—I cannot see what the fraud is.

3415. That is a question of Mr. Healy's. Would you kindly go on reading that?—Yes, but what is the fraud he is referring to?

3416. The blending of pot and patent, I take it?—That is what I took it, but I thought you maintained it was pot and German spirit.

3417. Will you kindly finish that?—"I think that if you oblige retailers to label their bottles with the information that the spirit is sold as a blended spirit, as a mixture of whiskey and alcohol, possibly you might to some extent check the practice, or you might have a board put up in the shop with an announcement upon it that 'all the spirit sold in this place is composed of German spirit and Scotch whiskey mixed together.'"

3418. "German spirit." That is the point. Now will you take the next one, 421?—But I think that we ought to see what he was really referring to in the question.

3419. It is very difficult to make out in some of these cases whether they are referring to British spirit or to German spirit?—There is very little difference analytically or in flavour.

3420. Then you referred to Dr. Bell's evidence, giving certain quotations from it?—Do you want question 421 of Mr. Molyneux's evidence read?

3421. If it is on the point?—You asked me for it just now. "If you took a precaution of that kind in the interest of the general retail consumer, do you not think that the moment the retailer would look and see what he was doing, and would not at all be likely to put up in his shop a statement that he was selling blended spirit." Then the answer is: "Seeing that the law once obliged them to keep foreign spirits and British spirits in separate rooms, and prohibited the mixing of these spirits under any circumstances before delivering them to the public, and seeing that that law was repealed, I suppose it was then thought that the best way was to let the customer be the judge of the material he was buying. By the Act 6 George IV., chapter 80, it was provided that foreign and British spirits should not be mixed together, and that they should be kept in separate rooms."

3422. Do you not think he is speaking mainly of German spirit rather than British patent still spirit there? I ask for information?—I do not think that Mr. Healy was very keen on German spirit. He was probably in favour of having genuine Irish whiskey, I should think. Look for instance at question 415. "Do not you think that the law ought to enable a man who wants a malt spirit to get it, and that a man who wants this alleged superior article at 10d. a gallon ought to be able to get it at that price?" That is the question of Mr. Healy, and he is obviously referring to blends in general.

3423. 412 refers more specifically to German or silent spirit. It is very doubtful I admit. Then in Dr. Bell's evidence there are some questions I should like you to refer to 1134, 1135, 1136. It appears to me that in answering these questions Dr. Bell again had in his mind German spirit rather than British spirit?—Obviously in question 1134 the question is about German spirit. Also in 1135 the question is about German spirit.

3424. Then 1136 is another. He certainly refers to German spirit?—Yes, the question in each case is about German spirit. It is mentioned in the question.

3425. I do not think he has sufficiently differentiated those two things in his replies. It is very diffi-

cult to make it out clearly. Then you quoted Mr. Cobden Samuel's case, and I think the quotations you made, as far as they go, are certainly in your favour. But here again, are you quite sure that the witness is referring to British patent still product?—I think so. I have had no doubt about it.

3426. I ask you this because I notice in his answer to question 1422 Mr. Cobden Samuel, who was the Analyst Principal of the Customs Laboratory, says that he never had experience with British patent still spirit and highly rectified spirits, but he has no reason to doubt that they are practically identical with foreign plain spirits. That seems to imply that all the questions put to Mr. Cobden Samuel were replied to under the impression that he was speaking of foreign spirits.

3427. I think he defends whiskey, does he not?—Did I not quote that?

3428. I do not want to labour that question too much, but I ask you for information. I was unable to make my mind up as to the exact meaning of some of these things, and as to whether they referred to British or German spirit?—I could look through it, and, of course, everybody could look through it.

3429. Mr. Cobden Samuel was a Customs man, and he would know nothing about the Excise. He would only have to deal with foreign spirit?—As a matter of introduction into the country, but whiskey would never be introduced into the country.

3430. You have brought forward Mr. Cobden Samuel's evidence as being in your favour, and referred to his opinion about patent still spirit, but I want to point out that he is only speaking, and could only speak, from his experience of foreign spirit, and that all his answers must have referred to foreign, and not to British-made spirit?—That question you refer to rather looks like it, but I do not see why he could not buy English patent still just as he could buy Scotch whiskey.

3431. But that would not come under his ken as a Customs man?—No, but whiskey would not. You might rule him out altogether, because no whiskey is imported.

3432. I think we might on that question. Now do you yourself think there is practically no difference between ordinary British patent still spirit and imported foreign patent still spirit?—I have never examined any foreign patent still spirit, so I cannot say.

3433. But when you look at those analyses that were given at 3571 and 3574, where you have got analyses of the British and patent still spirits, do you not think there is a very great difference in the composition of those? First of all, take 3571 and 3574, and then 3632. 3632 refers to foreign spirits?—Would you point out the point you wish to make?

3434. The point I want to make is this, that you say there is no material difference between ordinary British patent still spirit and the imported foreign patent still spirit?—No, I said nothing of the kind. I said I had not examined the foreign imported spirit, so I could not reply from my own knowledge.

3435. I beg your pardon, I misunderstood you. Then you cannot give an opinion on it?—No, I could quote to you the French Alcool d'Industrie which is somewhat purer than British patent still spirit, but I have not examined them myself. It is slightly more refined I should say.

3436. Then you have also put in the evidence of the late Mr. A. H. Allen, and looking at his evidence as a whole I certainly think it is fairly in accord with your ideas. But there is this difference between you as shown in questions 1790 and 1862 that Mr. Allen would have allowed the sale of patent still spirit as whiskey provided it was described as patent still whiskey. You, on the other hand, would not allow it to be described as whiskey at all?—I do not think it should be, but of course that is not my business at all. As an analyst I have to find out whether the thing is of the nature, substance and quality of the article demanded, and only indirectly am I forced into making definitions.

3436*a*. Notwithstanding these examples of the evidence given before the Select Committee of 1890-91, it is a fact, is it not, that the Report of the Select Committee was against any legal definition of whiskey?—Yes. I did not know you were going to examine me on this or else there are one or two things I should have liked to draw your attentioin to. I do not think I can find them now.

3437. I think Mr. Bramall told us that he regards this Report as biassed?—I was not present when Mr. Bramall was giving his evidence, and I have not seen any proof of it, so I do not know what he said; but there was a good deal in this Report to show they did appreciate the difference between the two styles of spirits. I have not examined it thoroughly, but if you refer to page x. of the Report, I think you will find there, about ten lines down: "Under Section 6 of the first Food and Drugs Act, a sale is illegal if the purchaser be prejudiced by buying 'any article of food or any drug which is not of the nature, substance, and quality of the article demanded by the purchaser.' Under this section a vendor selling as malt whiskey spirits containing none of the bye-products of malt, or of malt and grain, could be detected in the present state of chemical knowledge, if the malt spirit had been made in a pot still. So far the present law applies. But your Committee are unable to recommend any standard of purity or impurity which could guide such conviction." They evidently think that some conviction ought to take place, but they decline to make a standard.

3438. We now come in your literary evidence to the article on spirits in the "Encyclopædia Britannica," which was published in 1902, from which you have made numerous quotations. That article was, I believe, written by Dr. Schidrowitz, was it not?—I understand so.

3439. Dr. Schidrowitz is well known, is he not, as an original worker in the chemistry of distillation?—I believe he has given a good deal of time to spirits.

3440. And has written a large number of papers on the subject since the appearance of that article?—Yes, I think they were written since the appearance of that article. I think there were two papers read before the Society of Chemical Industries.

3441. You are, I suppose, fully conversant with all his papers?—I have not read any of his papers published since the North London case.

3442. In his writings since 1902 describing his own work, has Dr. Schidrowitz considerably modified his views expressed in the passages you quoted from the "Encyclopædia Britannica"?—I think he has lately, but I could not put my finger upon it. I might point out that he was in Court throughout the North London case, but he was not called to contradict any one of my statements.

3443. You do not imply, I suppose, that his changes of opinion on a matter of this kind have been influenced by the case?—I do not know that he has changed his opinions first of all.

3444. Have you read his papers?—Not since 1904.

3445. Did you read a paper of the 15th June, 1905, which was given before the Society of Chemical Industries, that is to say, five months before the first hearing of the whiskey case?—I think I read that one.

3446. That is a very important paper. I find on page 8 of the reprint of that paper there is the following passage: "It must, however, not be assumed that the use of peat alone is responsible for all the characteristics of Scotch whiskey, for the Lowland malts, in the preparation of which little and sometimes no peat is employed, and the grain whiskies which are made without peat, yet unmistakably possess those characteristics of flavours which are associated with the article in question"?—Have you the context to show what he means by "grain whiskies" at that period?

3447. There is another passage on page 8, "The grain whiskies are distilled in a still designed for partial rectification"?—Then he means patent still.

3448. Yes—"but as will be seen from the figures below they are far removed from being silent spirits, and as we have already stated they possess very considerable whiskey flavour." That was in 1905. Then again in 1906 there is a paper read before the Institute of Brewing. I suppose you have read that?—No, I have not.

3449. It is a very important paper also. In that there is the following passage: "Since the days of Coffey innumerable other rectifying stills have been designed, and many of these are in use principally on

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the Continent, but the object of these is almost invariably the production of a spirit of high strength and of as neutral a character as possible. For the manufacture of a particular type of spirit long known as grain whiskey, that is to say a spirit which stands in an intermediate position between the heavily flavoured pot still whiskies on the one hand and neutral or rectified spirits, that is plain alcohol, on the other hand, Coffey's apparatus still holds the field." After these quotations and others which I could give you, do you think you can fairly claim Dr. Schidrowitz as supporting your views?—I believe he is here to speak for himself, and I would rather he did.

3450. You have quoted very largely from his article in the Encyclopædia Britannica?—Pardon me, if you will allow me to make that quite clear. You were asking me the knowledge on which this prosecution was founded, and that article in the Encyclopædia Britannica was in existence before the prosecution started.

3451. But this is in the *précis* of your evidence?—Yes, I put it there.

3452. You bring forward Dr. Schidrowitz's article in the Encyclopædia Britannica of 1902 as evidence in your favour, but you entirely ignore the subsequent writings of the same author?—I think you will find my object in putting forward all these things from the poet Burns to Dr. Schidrowitz was to show the state of mind when we started the prosecution.

3453. I believe it is your contention that one essential difference between the process of distillation in the pot and patent still is that with the pot still all the volatile products come over with the spirit and are to be found in the finished whiskey?—Yes.

3454. Are we quite clear on that point?—Yes. Of course when I say all I mean practically all.

3455. You mean by this that pot distillation is in no sense of the word a fractionating process?—Yes.

3456. That the quantitative relation of the bye-products to the alcohol in the fermented wash is the same in the wash as it is in the whiskey?—Practically all. There are certain changes.

3457. But the relation, that is the relation of bye-products, the quantitative relation of bye-products, to the spirits in both cases is the same?—Practically the same.

3458. It is just this point that I cannot understand, and to simplify matters it will be more convenient if we consider the somewhat simpler Scotch method of two distillations rather than the Irish method of three?—The Irish method is very complicated. It is not exactly three distillations, but it is a mixture of three and two.

3459. I can get all the information I want from you on the simpler case. Supposing we start with the distillation of the wash. Can you tell us about what proportion of low wines you would have to distil off before the hydrometer indicated that the whole of the spirit had come over in the low wines?—I believe I have some notes that I made at a distillery on that subject, but I have always regarded them as more or less confidential; I have not got them in my head, and I have not got them here.

3460. I only want to know approximately what comes over. Is it one-third?—I should think fully one-third or more.

3461. In the fermented wash before distillation we have a mixture of volatile products varying, we will say, in boiling point from 70° F., that of acetic aldehyde, up to, we will say 275° or 280° F.—about that of amyl-alcohol, the boiling point of the ethylic alcohol being about 173°?—78° or 77° C.

3462. 173° F.?—I will accept your figure.

3463. For the purpose of argument we will assume that the temperature of the boiling wash at the close of the distillation is 212°. It would be rather higher than that?—Naturally.

3464. There can be no doubt, of course, that all the volatile bodies having a lower boiling point than the ethylic alcohol would come over into the low wines, and a certain amount of the higher alcohols boiling above 212° would also come over with the water, vapour and alcohol?—Yes.

3465. The first point I will ask you is this: does the spent wash, at the moment of its discharge from the still, contain any appreciable amount of higher alcohols?—I failed to find it. I examined both spent wash and spent lees. In one (I forget which now) I found a trace of higher alcohol, and in the other two cases I found none.

3466. In other words, supposing the distiller continued the distillation of the wash after the whole of the spirit had been collected in the low wines receiver would he bring over any more of the higher alcohols and furfural and bodies of high boiling point?—I think they would be over already.

3467. Could you tell us how you prove the absence of the higher alcohols in the spent wash?—By distilling and trying it with sulphuric acid.

3468. How did you distil it? How long did you continue, and how long did you carry on your distillation? Did you distil in steam, or did you simply distil down some small batch and add water, and again distil? Is that how you did it?—I distilled, I think, nearly to dryness, and then tried with sulphuric acid; the same way one distils to get the higher alcohols and the spirit.

3469. (*Dr. Adeney.*) What did you try with sulphuric acid—the distillate?—Yes.

3470. (*Dr. Horace T. Brown.*) You did not continue the distillation more than once, you ran it down to dryness, or nearly to dryness?—I think that is what I did. I made to 50 per cent. strength of alcohol.

3471. You say you found there the higher alcohols in the wash after treatment of that sort?—I forget whether it was the wash or the spent lees. I had my notes last time, but I have not got them to-day.

3472. We are talking of the wash at the present moment?—There was practically none there. It does not smell of amyl-alcohol at all.

3473. What would you expect to be a trace? Would you expect ·01 per cent., or anything of that kind, to be a trace? You are dealing with a large volume of distillate?—I am sorry I have not my book here or I could give you actual figures, but it is something very remote.

3474. You could not give any estimate of what amount you found in the spent wash?—I could give you the actual figure this afternoon. I can telephone for it.

3475. You know, I suppose, that Dr. Schidrowitz has carried on some experiments of this kind?—No, I did not know that.

3476. Now let us take the distillation of the low wines. You say that practically the whole of the higher alcohols and of the bye-products would come over into the low wines. Now take the distillation of those. You would seriously maintain that they contain as much of the higher alcohols as the original wash before distillation?—Referred to the standard of alcohol, you mean.

3477. Referred to the standard of alcohol or the volumes if the volumes are equal?—Of course, the volume would not be equal.

3478. No, but if they were equalised?—Yes, practically. I admit traces may be lost, but they are very small traces.

3479. The distiller, in distilling the low wines, rejects, in the first instance, the foreshotts which contain the volatile substances of low boiling point along with some alcohol?—Yes.

3480. Collects the intermediate portion as whiskey?—Yes.

3481. And again rejects the last portion as feints?—Yes.

3482. Must not these last portions contain a larger portion of the less volatile bye-products than either the foreshotts or the whiskey?—I do not think it at all follows.

3483. Supposing you take a sample of those low wines into your laboratory and you distil them over the lamp in the ordinary way ——?—Without a rectifying column.

3484. Without a rectifying column, simply use your Liebig condenser, and you took over the first portions of the distillate, the intermediate and the last portions, would you expect those all to analyse to the same point as regards the bye-products?—There would not be a very great difference. I think I submitted some figures to you last time from some work on that. It is on page 228 of my evidence.

3485. Yes, I am coming to that?—That is my answer to your question.

3486. For my part I really cannot understand how any chemist could refuse to recognise this as a process of fractional distillation?—Boiling it off in the flask?

3487. Boiling it off in the flask and separating your various portions of the distillate. If it is not fractional distillation what is it?—There is very little fractional distillation by boiling off in that way if you have not a rectifying column.

3488. I know that some other members of the Commission will ask you some questions about this, and I will perhaps not pursue it now except that I should like to ask you a few questions about those figures which you put in on page 9 of your *précis*. In the analyses that you have given at page 9, "Feints, low wines and whiskies," may I ask if all these refer to the same distillation?—I do not think they did.

3489. Do you think they are of much value unless they did?—They are either the same distillation or within a day or two.

3490. I do not see how they are comparable unless they are from the same distillation?—Even if they were the same distillation I do not know that they are exactly comparable because if you go into a distillery like that you cannot take charge and take your samples as you want them. You cannot mix everything. You cannot "boss" the place. You have to take what you can get in the way of feints or strong wines, or a mixture of strong low wines and feints, and of course of the whiskey product.

3491. I notice that you have not given any analyses of the wash from which these distillates have been produced?—No. That I will telephone for this afternoon.

3492. Nor the relative volumes of the wash, the spent wash and the low wines and the feints which would be produced from it. There are no volumes given, so it is impossible to work your figures out in such a way as to show the exact amounts of the various bye-products in the original wash and to distribute these amongst the different portions of the distillate?—If you find that you have practically the same sort of figure for a finished whiskey as you have for a strong feint or strong low wine—of course my figures may not be worth anything, but as far as they go they show there is no loss.

3493. Taking your own figures as they stand in your table will you please refer to the numbers you give of the sum of the bye-products in (B), (C), (D), and (E), that is to say, in the strong low wnes, the strong low wines and strong feints and the whiskey. The strong low wines in (B) show 573 parts of total bye-products?—Yes.

3494. The mixture of strong low wines and feints in (C) shows 589 parts?—Yes.

3495. Whilst the whiskies (D) and (E) show respectively 455½ and 378·4?—Yes.

3496. Do not these figures, even on your own showing, prove that there has been a fractional separation in the process?—There is a certain difference there.

3497. See how high those numbers are in (B) and (C) as compared with (D) and (E). There must have been a considerable amount of fractionation there assuming that these are the same distillation?—I do not think they were.

3498. Then they can have no value at all?—That is for you to decide. I thought they had.

3499. Surely if these are not from the same distillations we cannot possibly say whether there has been a fractionation here or not?—No, but all I put these figures forward to show was that feints and strong low wines and whiskey, and so on, had roughly the same composition.

3500. I gather from your *précis*, and I read it very carefully, that these were put forward as evidence that there was no fractionation with a pot still. Do you know anything of an investigation which was made by Dr. Schidrowitz on this very point, and the result which he published in the Journal of the Institute of Brewing in 1906?—No.

3501. In those cases he gives the particulars of distillation by the Scotch method in which in the first place he measured the volumes of the original wash, foreshotts, whiskies, and feints in the same distillation, and determined the amounts of the various bye-products in each, and the net result which he got was that out of 100 parts of the volatile bye-products present in the original wash, 63 parts were directly eliminated, and 37 parts were retained in the distillates, and of those 37 parts only about one quarter passed into the whiskey. If you have not seen those results I think they are of interest?—I do not think they would interest me in the least. If I understand you only 37 per cent. of the bye-products appeared in the finished whiskey. Is that what you said?

3502. The net result was that out of 100 parts of the volatile bye-products present in the original wash 63 per cent. were directly eliminated and 37 per cent. were retained in the distillates, and of those 37 per cent., only about one quarter passed into the whiskey?—I could not accept it whoever stated it.

3503. Then you will not admit that by the ordinary distillation there is the least fractionation going on at all? You will not admit there is any fractionation in a pot still?—I should like you to take out the word "least." I admit there is a very small fractionation.

3504. Could you show us what that is?—No.

3505. Have you any figures which will show according to your ideas the amount of fractionation which can be produced in a pot still, or is ordinarily produced in a pot still?—No, I cannot. There is very little, that is all.

3506. Turning now to the patent still, you have told us that it is something more than a still, being also a rectifier or fractionating apparatus?—Yes.

3507. And you deny the fractionating power of the pot still?—The difference as you will understand is that one has all the fractionation, if any—in a pot still—by evaporation, which is a very weak fractionation, practically no fractionation, and the other in the patent still is a fractionation by condensation; that is a very powerful fractionation, but of course in one way the pot still is an admirable fractionating arrangement because it fractionates the whole of the spirit from the water that is left behind. But it does not fractionate to any extent these traces of bye-products,

3508. Do you mean that the relation of the bye-products to the alcohol is the same as it was in the original wash practically?—Yes, the volatile bye-products. I would not say acetic acid because that has a high boiling point.

3509. It would be very interesting to the Commission to have some experimental proof of this from your observations?—I am merely confirming the statements of Mr. Allen and Dr. Bell, and I have put forward certain analyses which show that they are approximately the same.

3510. Do you mean to say that Dr. Bell and Mr. Allen denied that the pot still was a fractionating apparatus?—Yes, most certainly.

3511. Specifically denied that it would produce any fractionation at all?—They did not put it like that. They said the finished spirit contained the whole of the bye-products.

3512. Can you give us references to that?—I can after lunch.

3513. One of your objections to the patent still is that the steam used hydrolyses the compound ethers—the esters. Is not that so?—Yes.

3514. You have mentioned that here?—Certainly.

3515. I suppose you do not mean to say that a pot still does not also to some extent hydrolyse these compound ethers?—Not nearly to the same extent.

3516. Again do you know Dr. Schidrowitz's experiments on that very point?—No.

3517. In which he shows that the pot still has a very marked influence in hydrolysing. You have not made any direct experiments on this question?—No. A friend of mine once tried to distil a compound ether with steam and that was fatal.

3518. You would not admit that the main difference between the action of the patent still and the pot still resolves itself into this, that in the patent still there is an elimination and a removal of some of the bye-products in a visible and tangible form as fusel oil?—No, it goes further than that.

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3519. Whilst in the pot still the accumulation of bye-products in the spirit is kept in check by chemical processes of oxidation and hydrolysis?—Oxidation in a pot still?

3520. Oxidation of the aldehydes and higher alcohols into their corresponding acids which are eliminated in the spent wash?—No, that is nonsense.

3521. You would not admit there was any oxidation of that sort going on?—No.

3522. I should like to thoroughly understand how you explain the fact that if there is no fractionation going on in the pot still these products which the distiller tries to keep out of his whiskey, foreshotts and feints, do not after a time accumulate in such a way that the distiller can get no whiskey at all unless at the same time there are some processes of destruction going on?—I think you are wrong, if you will pardon me putting it in that way, to assume that they do accumulate. The distiller goes on distilling; he starts with his low wines; taking the Scotch process he gets the whole of the alcohol from the wash into the low wines; he then distils the low wines, he gets his foreshotts, which are put aside, he gets his whiskey, which goes into consumption, he gets his feints, which are added to the foreshotts. These foreshotts and feints are added to the next low wines, and then you get the same quantity of feints and foreshotts out and the same quantity of whiskey to go to consumption.

3523. Are not your foreshotts and feints accumulating *ipso facto*?—No, I do not think so.

3524. What becomes of them? Supposing you start a distillation without the addition of any foreshotts, or without the addition of any feints of any kind, you get a certain amount of foreshotts and feints?—That particular whiskey would be below standard.

3525. Out of the next distillation of the next lot of wash there must be the same amount of foreshotts and the same amount of feints?—Yes. I always maintained that that shows that the whiskey must contain the same percentage of bye-products per 100,000 parts of alcohol as the low wines, because there is nothing eliminated.

3526. What would happen if to the intermediate whiskey the foreshotts and feints were added at once? What sort of a product would you get?—I have never tried it.

3527. You would not get a very drinkable product?—New whiskey is not very drinkable at any time.

3528. Why do you eliminate the foreshotts and feints if they are required in the whiskey?—I do not know why the distiller in pursuit of his art does certain things. It may be there are some very high boiling point things which we have not referred to at all which are eliminated.

3529. What I want you to see, if possible, is my inability to understand how it is that if you are rejecting foreshotts and feints in every distillation and putting them into the next distillation these do not accumulate unless there are some processes going on resulting in their destruction and elimination?—My answer is because the composition of whiskey is practically the same as the composition of low wines.

3530. I do not think your analyses show that?—Approximately I think they do.

3531. It seems to me to be contrary to the chemistry of the thing. I wish you could give us a little more definite proof of this statement, which is very important?—I can only do it by taking command of a distillery with power to take samples when and how I like. I have no such command.

3532. (*Dr. Adeney.*) Can you give us the alcoholic strengths of these strong feints and low wines?—Yes, I have not got them here. I think I could get those also.

3533. If you could I think they would be useful?—Yes.

3534. (*Dr. Horace T. Brown.*) I have no doubt there are other members of the Commission who have questions to ask you on those points. I now want to obtain some information from you about the analytical standards you have laid down in your official capacity for differentiating pot from patent still spirits. You told us, I think, that in your opinion no pot still whiskey has a coefficient of impurities less than 380?—Yes, perhaps it would be better to call it the sum of the bye-products.

3535. Yes. I am using the ordinary expression which we derive from the French. It is an unfortunate one, I admit?— It is unfortunate, because people think they are getting something very bad.

3536. We will call it the sum of the bye-products if you like?—Yes.

3537. The sum of the bye-products is not less than 380?—That is what I arrived at.

3538. That is to say, that no genuine pot still whiskey contains less than 380 parts of acids, aldehydes, compound ethers, and higher alcohols reckoned upon 100,000 parts of the contained alcohol?—Yes.

3539. I suppose before you laid down this standard you examined a number of samples?—Yes, I have given you the samples.

3540. These include all the samples you examined, do they?—Yes. I have examined others since, but you expressed a wish not to have those.

3541. You have done some since?—Yes. There were some in my *précis* which are cut out in the proof.

3542. (*Dr. Adeney.*) I think you misunderstood Dr. Brown.

3542*a*. (*Dr. Horace T. Brown.*) I certainly did not wish you to cut anything out.

3543. (*Dr. Adeney.*) I think Dr. Brown asked you what were the analyses you based your standard upon?—Yes. Then there were some later, after the trial. There was a Comber, an Irish whiskey, some American rye, and Bourbon whiskey, and some Cambus patent spirit.

3544. (*Dr. Horace T. Brown.*) I have been considering the matter entirely from your *précis* so that we may argue from that. That includes them all?—That includes them all, but there are a lot of others I have had since.

3545. Am I right in saying that as regards the pot still Scotch whiskies your analyses were confined to six Highland distilleries and one Lowland distillery, that is to say, to seven separate distilleries represented by 13 samples?—I should say six Highland and one Lowland.

3546. Those distilleries are represented by about 13 samples?—It is quite likely. I have not counted them.

3547. You examined none of the products of the Islays or Campbeltowns?—No.

3548. Now, with regard to the Irish pot distilleries. Am I right in saying there were five in number, represented by 24 samples in all?—Yes.

3549. Of the patent distilleries you examined, I believe, the product from two, one in Scotland and the other in Ireland?—Yes.

3550. These two patent still distilleries were represented by four samples in all?—I examined other patent spirits which were supplied to me by a man in the trade, who did not give me the name of the distillery. There were certain patent samples from unknown distilleries given.

3551. You have the North British and the Dublin Distillery Companies here?—In the tables themselves you will find seven patent spirits from unknown sources.

3552. At what page is that?—Page 21, at the bottom, and the first half of page 22.

3553. We are told there are 22 patent distilleries in Scotland and Ireland, so you have examined the products of about 10 per cent. if we confine ourselves to the authenticated samples?—Yes. Are you asking me now as to my present knowledge, or my then knowledge?

3554. I was rather referring to your knowledge at the time you made your standard of 380. If you have seen any reason to alter that standard we should be very glad to hear from you about it?—No, I have no reason to alter it.

3555. Do you not think on the whole that these are somewhat meagre data on which to found an important standard of this kind?—My subsequent experience has told me that if anything it is rather low, and not high.

3556. Will you tell us the extreme values which you found for the co-efficients of pot and patent spirits respectively?—I think the highest is on page 21: "Scotch whiskey 11 years old, 646·6," and the lowest, I think, was 378—that is either the Lowland malt or one of the Irish.

3557. I think you stated in your evidence in Court it was the Irish?—It is on page 17 (A) of the *précis*, reference No. 1. "New whiskey—378·4."

3558. Now will you tell us about the patent stills, and what your limits were there? I think you said from 89 to 204 in your evidence in the police court?—Something of that kind. They are the same figures.

3559. You adhere to that?—Yes, that is a six-year-old patent still—204. It is reference No. 32 on page 22.

3560. 203·8?—Yes.

3561. I do not propose to question you on the details of the method of analysis you adopted. I know you will be examined on this point by another member of the Commission, but briefly put, I suppose I may take it that your method is the colorimetric one—the colorimetric of Girard and Cuniasse?—Yes.

3562. And that you would use as your control isobutyl alcohol?—That is so.

3563. Can you tell us what relations your values would bear to a similar method if you took amyl-alcohol as the control instead of isobutyl?—I have never compared the two.

3564. You could not give us any factor by which the one series of observations could be converted into the other?—No. I fancy Dr. Schidrowitz gives the factor somewhere.

3565. But you know that a factor of the sort has been given by Girard and Cuniasse?—No, I did not know that.

3566. I looked it up the other day. It is a ratio of 6 to 10. Would you be prepared to accept that factor for the purpose of converting one set of observations into the other?—I should like to try it myself first.

3567. You see the point is this, there have been a great number of analyses of whiskey published in which the amyl control was used (we will put the Allen-Marquardt out of it altogether) and it is very desirable for the Commission to have the means of linking up all these analyses with your own?—Yes.

3568. You know, I suppose, the paper by Dr. Schidrowitz in the June number of the Journal of the Society of Chemical Industry?—That is 1905.

3569. That contains the analyses of 100 samples of Scotch pot and patent still whiskies taken from 57 different Scotch distilleries. Now I was desirous if possible of linking up those analyses with your own, because, of course, your own are smaller in number?—Yes, about half the number.

3570. Would you be prepared to take any factor? Dr. Schidrowitz said the factor was about 2·5, and Girard and Cuniasse put it at 1·66?—In the absence of having tried it I could not accept either one factor or the other. You are in the same position with regard to that as I am.

3571. It is rather curious when one applies either Dr. Schidrowitz's factor or the factor of Girard and Cuniasse to see how all these analyses come out compared with your own. There is a complete overlapping of all the whiskies from the top to the bottom. I may put it in this way: suppose we take the 1·66 factor, which is more favourable to you than the other—considerably more?—You can take whichever you like, I do not mind.

3572. You would not accept it either way?—Please do not put it like that because I know nothing about it.

3573. It is much more in your favour to take that factor than the higher one of 2·5. Highland malts, taking that factor of 1·66, run from 286 to 705?—What does that apply to? Are you taking my figures.

3574. No, I am taking now Dr. Schidrowitz's figures of 76 Scotch whiskies, and I am trying to convert those figures into yours so that we can compare your figures with his. Using the 1·66 factor for conversion which is the one given by Girard and Cuniasse and which I say is more favourable to you than the other, I find that out of 39 Highland malts which are given by Dr. Schidrowitz they run from 286 to 705, and 10 of those would not have passed your standard of 380?—Then perhaps you had better take the other standard of 2·5.

3575. By the higher standard, which is much worse for you—31 would not have passed?—Pardon me, is not the amyl weaker than the other?

3576. We have to divide the highest figure, the amyl figure, by the factor in order to get the conversion?—I thought it was the other way about.

3577. Dr. Schidrowitz's figure for the amyl control is considerably higher than yours. You must either multiply yours by his factor, or divide his by yours?—You mean, multiply my results by the factor or divide Dr. Schidrowitz's results by the same factor in order to get a comparison.

(Adjourned for a short time.)

3578. (*Dr. Horace T. Brown.*) At the time of our adjournment I was asking you whether it might be possible by using any reduction factor to bring these analyses of Dr. Schidrowitz amounting to 76 in number, in line with your own, in order to ascertain how far these various samples came within the limit of 380. We were talking about the reduction factor of 1·66, which was the one recommended by Girard. I have had all those results recalculated, using that factor of 1·66?—That is of the higher alcohol only.

3579. Yes, and then I have added to those the other bye-products so as to get the co-efficient as far as possible on a line with your own?—Yes.

3580. It may be interesting to you to know how those came out. There were 39 Highland malt whiskies examined, and the reduced number came out between 286 and 705, and out of those 39 Highland malts 10 of them are below your standard of 380?—Yes.

3581. Then if we go on to the 16 Lowland malt, working them in the same way they run from 182 to 586 in the coefficients, and seven of those 16 would be below the standard of 380. In the Campbeltowns, 16 of those work out between 331 and 841, and two of those would fail to pass your standard of 380, whereas the five Islays corrected in the same way run from 457 to 575, so that all would have passed your standard. The point is, of course, that taking these as a whole, there is a considerable overlapping with your patent still co-efficients, which run from 89 to 204?—You will pardon me but am I expected to give an opinion on these statements?

3582. I should like to ask you ultimately what your opinion is with regard to them. The Lowland malts commence at 182, which is within the limits of your patent still products, which run from 89 to 204. Looking at these results as a whole there is considerable overlapping, and I should like to know where you would draw the line in a large number of analyses of this kind so as to bring all these genuine malt whiskies within your standard of 380. Of course, I am aware without the figure before you we are asking you a difficult question?—Of course I am not responsible for Dr. Schidrowitz's analyses. You understand that?

3583. Perfectly?—I am not acquainted with the actual details of his process. I am aware that he used amyl instead of isobutyl. I do not know whether he reduced to one standard alcoholic strength before heating with sulphuric acid.

3584. I think, as far as I gather from the account given in the published paper, the process was identical with yours with the exception that he used a control of amyl-alcohol, whereas you used a control of isobutyl alcohol. I think in all other respects the two processes are similar?—Yes. Otherwise supposing we accept these analyses absolutely, it merely shows that my suggested standard is a little too high.

3585. Exactly?—That is all it proves.

3586. It also shows more than that, does it not, if you accept these figures, and also at the same time accept your own limits for the patent still spirit. It would be impossible to draw a distinct line by any standard across these two sets of experiments in such a way as to exclude on the one hand the patent still without excluding some of the pot still?—It means this, that by accepting those figures—I do not say I do accept them, I do not know anything about them;

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I was not present when they were taken. I do not know where the things came from, or anything about them—but accepting them absolutely, it merely shows that we should be able merely to detect some frauds instead of all frauds.

3587. For instance, if a Lowland malt were sent to you which gives by your process 182, you would not pass that as a genuine pot still whiskey?—No, I should not. I should like to know a great deal about it. I may mention for the information of the Commission that I was told by a friend of mine in the Highlands that my standard was too high. and I said, "Well, in what case?" He mentioned a particular distillery; I said: "Send me some samples; if my standard is too high it must be altered." I got these samples, and they were distinctly below my standard. It had been declared to be a pure pot still whiskey, but on investigation it was found the still had a highly complicated fractionating arrangement in the head, and, of course, my standard was not intended to apply to such cases.

3588. Was that the case referred to in the Police Court when three samples were sent to you?—No.

3589. Can you give us any information about that?—No, the thing was a 'plant,' and I refuse to discuss it. It either means that I made a mistake, or else the thing was a trick.

3590. I thought on looking over those figures they showed one thing, at any rate: that your method of analysis would give fairly concordant results with the same samples?—Yes, that is possible. I have forgotten even the figures.

3591. The co-efficient was a very low one in that case; I think as low as 277, or something of that sort?—I think it was 313, speaking from recollection. It is somewhere in the evidence.

3592. Yes, I think I have it here; it is 277?—I do not know anything about the history of that.

3593. You think the upshot of it all is this: it merely shows that your standard is rather too high?—I mean, if we accept those figures.

3594. Do you think any standard could be laid down which would not be open to the danger that it may condemn a pure pot still whiskey?—There would be no danger of that, because if I in my ignorance were to condemn a pure pot still whiskey it would be open to the defence to prove up to the hilt that it was a pure pot still whiskey. The analyst would be the only man who would suffer in that case.

3595. It would be dangerous to found a prosecution entirely on your standard?—Personally, I do not think it would. Supposing I had been wrong in these prosecutions at Islington, I should have been talked to pretty considerably by my local authority, and my reputation would have undoubtedly suffered; but if the defence were in a position to prove that these things were pot still whiskey they could have proved it.

3596. Do you think, further, that your method, assuming that you have a standard, could detect the existence, we will say of 40 or 50 per cent. of patent still spirit, after blending with pot still?—I see what you are driving at. It is a mere question of arithmetic. If I took the highest Highland malt, with the greatest amount of bye-product and mixed it with 50 per cent. of patent still spirit with the greatest amount of bye-product that the mean might come within 380—that is a mere question of arithmetic.

3597. That was not so much in my mind as this: What is the limit of accuracy of your method in determining blends of patent and pot still spirit?—That I cannot say.

3598. You could only judge by experiments: you could only give your opinion on experiments?—I think as a rule you could detect 25 per cent.

3599. You could detect 25 per cent. of patent spirit?—I think so. You see it is a mere question of arithmetic. If the original pot still spirit was actually 380, and that was mixed with 5 per cent. of patent still spirit, you could probably detect it, but if the original pot still spirit was 500 or 550, or something of that kind, not absolutely out of the way numbers, you would not be able to detect 10 or even 20 per cent.

3600. But where you have a variation, we will say of the co-efficient in pot still whiskey running from something like 280 to 500 or 600 ——?—380 you mean.

3601. No, from 286, according to these figures I have here, those that we have been discussing, the Lowland malt, or 182?—You are taking Dr. Schidrowitz's figures.

3602. Perhaps it would be fairer to take your own figure of 380 as the lowest coefficient of a pot still whiskey. Assuming you had a certain proportion of highly flavoured whiskey mixed with the patent spirit you would not know whether it was Islay, Campbeltown, or Highland?—Not in my present state of knowledge. Some years ago one was supposed to be able to detect adulteration in butter, by a melting point determination. That very soon fell to the ground because the adulterators arranged that their production should have the correct melting point. Later on a test which was very much in favour with chemists was the Koettstorper test, the determination of the saponification value of the fat. That was an excellent test, but at the same time it can be dodged by an adulterator who can make a fat containing no butter whatever which will give the correct Koettstorper figures. We are now using a test known as the Reichert test, but that is beginning to be dodged. The adulterator always takes the measure of the analyst's foot as nearly as he can, and arranges a product to meet the tests which he knows are in use. It would be highly objectionable to lay down any method for whiskey analysis.

3603. You do not depend entirely on your co-efficient?—At present I am bound to, but I hope in time, if I am doomed to go on analysing whiskey, that other methods will be found.

3604. You have not referred in your *précis* to the question of the furfural as an indicator. Do you regard that as a valuable indicator?—I regard the absence of it as a valuable indicator of the absence of pot still spirit, but in genuine pot still it varies, say from one to five per 100,000 parts roughly, so that it would not be a good indicator for determining the percentage of admixture.

3605. You mean the proportion of the furfural is far too small?—No, I do not mean that, but if you look at my list you will find some genuine highly-prized whiskies containing only one part per 100,000 of the furfural. Take distillery C, I think it is. There are a series there where the furfural varies between 1·4 and 1·9; that is a very highly-prized Irish whiskey, but if you take distillery B the furfural there varies from 3·6 to 5·3.

3606. I suppose there is a considerable error of determination in furfural is there not?—Not very great I think.

3607. Then you would only take that as a rough indicator in the first instance? You mean if you find no furfural you would be pretty certain that you have no pot still?—Yes.

3608. You mean to say no patent still spirit contains furfural?—Some patent still stuff does contain traces. I will refer to my figures. Mine go up from a trace to ·6, that is to say from nil to ·6.

3609. Those results correspond fairly well with those given by Dr. Schidrowitz. He makes his grains run from 0 to ·9?—That is rather higher than mine.

3610. To go to another subject, you have handed in here a table giving the price per quarter of a number of cereals and the weight per quarter in pounds. I am afraid that information in itself does not give us much guidance. Can you give us any idea of the number of proof gallons which, say, 1 cwt. of each of these materials would yield and consequently the actual cost of materials only of a proof gallon of spirit derived from each kind of grain?—I have not worked that out, but I think you have that in the evidence of the Excise witness. I happened to be in the room when it was given on the opening day.

3611. You admit this is not much of a guide to us as it stands?—That is so.

3612. I have only a few points more of a general character to ask you about. Assuming that your definitions of whiskey are accepted, and become legally binding on the manufacturers, is it not the very first time that any manufacturer has been restricted in his choice of alternative materials for making a certain article and of alternative processes and apparatus for producing it?—I should not think so.

3613. I should be very glad if you could give us some information on that point?—It is rather a new point. I cannot think of every instance in the world for the moment; but take flannel. Some manufacturers have introduced cotton into the manufacture of flannel and have been prosecuted and fined for doing so.

3614. That is a question of material only?—That, of course, would correspond to the introduction of maize.

3615. Apart from that altogether, let us look at it from the point of view of the other cereals. You would say that a manufacturer of whiskey in Scotland might use one class of material and the manufacturer in Ireland another class of material?—I do not wish to restrict them; I do not think the use of any grain ought to be restricted except when a name is put to it. If a man calls his product Irish whiskey it should be made in the manner and have the characteristics of what is commonly understood as Irish whiskey.

3616. Apart from the material only, do you know of any restriction which has been placed on a manufacturer with regard to the apparatus he shall use for producing a certain article?—Yes, there have been successful prosecutions for selling hand-made cigarettes which are really made by machine.

3617. Do you think that is a parallel case exactly, they are sold as hand-made cigarettes?—Yes.

3618. That is, they are not machine-made cigarettes?—Yes, and this is sold as pot still whiskey.

3619. Do you know of any manufacturer who has been restricted to any particular form of machine?—There may be some, of course, but it is rather a conundrum to put to me suddenly like that.

3620. Do you not think that by putting any restrictions on apparatus of this kind to be used in a manufactory you are running the risk of seriously retarding the development of and improvement in technical processes?—No, I do not think so at all. There is no restriction on a man using a patent still if he wants to. All the Borough Council of Islington contended for was that if he used a patent still he should let the public know he used it.

3621. You would have the man who produced Scotch whiskey restrict its production to a particular form of apparatus, that is, the pot still?

(*Chairman.*) Without any explanation?

(*Dr. Horace T. Brown.*) Yes, without any explanation?—If he gave no explanation he should be restricted to the pot still, that is to say, that is what I conceive to be the general understanding of what is Scotch whiskey.

3622. That may be, for the present, perfectly true. But supposing genuine Scotch whiskey, with all the characteristics of Scotch whiskey, could be produced with some other form of apparatus, would you necessarily restrict the distiller to the old-fashioned form of pot still?—That is rather a hypothetical question, because no patent still spirit has the characteristics of the pot still. No taster would confuse the two for a moment; in fact, I myself am not a taster, but I think I should not be deceived.

3623. Are you not preventing a man from inventing something which would have that effect?—Not at all. I am speaking now purely under the Sale of Food and Drugs Act. If a sample is submitted to me which is of the nature, substance and quality of the article demanded—the Act does not say it must be the article demanded—there is no offence.

3624. But supposing a whiskey was brought to you with all the characteristics of whiskey as regards flavour, and analysis, and everything else, and that you were told afterwards that it had not been produced in a pot still, would you still put an embargo on that being sold as Scotch or Irish whiskey, as the case might be, no matter what the apparatus was?—You are asking me a question which I think is rather out of the depth of a public analyst. A public analyst knows, or should know, the Sale of Food and Drugs Acts and under the Sale of Food and Drugs Acts that would be no offence.

3625. But a public analyst in this particular case has made the definition, and that definition says you must not use anything but a certain particular form of apparatus. Do you not think that is dangerous looked at as a principle: do you not think you run the risk of preventing invention and legitimate development of apparatus?

(*Chairman.*) Speaking as a matter of law you cannot control the future. A new method of producing a product is invented, and then the different considerations might apply, but I understand that Dr. Teed is applying it to things as they are now?—Certainly.

3626. You cannot look into the future to see what invention will produce. You, Dr. Teed, give no evidence as to the future condition which does not exist at the present moment?—No, my Lord.

3627. (*Dr. Horace T. Brown.*) I am inclined to think there is some evidence to come before this Commission as to the production of whiskey having all the characteristics of whiskey which has not been produced by the old-fashioned pot still. I was rather trying to find out from Dr. Teed what his attitude towards such a whiskey would be?—As a public analyst I should pass it.

3628. (*Chairman.*) Now we have the answer to that last question of Dr. Brown. That brings you to the present. What do you say?—I say that as a public analyst I should pass it as genuine.

3629. (*Dr. Horace T. Brown.*) But if it had come to your knowledge afterwards that it had not been produced in a pot still, what would be your attitude?—One of helpless despair.

3630. (*Mr. Guillemard.*) Even if you knew at the time that it had not been made in a pot still you would still as a public analyst pass it, if it satisfied your standard?—Absolutely.

3631. And so your despair would be greater still?—Yes. If it is the nature, substance, and quality demanded, I cannot go beyond that.

3632. (*Dr. Horace T. Brown.*) May I put to you a case which might be somewhat parallel to what we are considering? I suppose you are cognisant of the modern methods of preparing flour in roller mills?—Unfortunately I am not.

3633. You know the general process?—I know the flour is ground, but I have never been over a mill.

3634. You do not know of any difference in milling that has taken place in this country during the last thirty years?—I think something was said about it by Lord Justice Fletcher Moulton. He remarked something about it at the Police Court.

3635. Perhaps you know that the flour that is turned out from the roller mills differs materially in certain respects from that which was produced by the old grinding method with millstones?—I understand it does.

3636. You know, for instance, that roller mill flour contains none of the germ of the wheat?—Yes, I understand that.

3637. And a very much less proportion of the seed coating or bran, both of which exist in the old-fashioned flour?—Yes.

3638. You also know, I suppose, that there are some people who imagine, perhaps mistakenly, that the comparative absence of some of these constituents, which you may call "bye-products" in the roller mill flour, is by no means an advantage to the consumer from the point of view of health and nutrition?—Yes.

3639. I suppose you know that roller milling has sprung up in order to satisfy the public demand for whiter flour?—Yes, I understand that.

3640. Do you not think that there is a very close analogy between the two classes of milling and the two processes of pot and patent distilling?—There is a certain amount of analogy, but if you will pardon me saying so, I do not see what it has to do with the question.

3641. I think there is a very close parallel?—It remains to be proved yet that the sale of roller mill flour as the old-fashioned flour would not be an offence against the law.

3642. It has been maintained by well meaning people that this fine mill flour is much less nutritious, especially for the young, and that it is not nearly so good for people as the old-fashioned flour?—It may be it is an offence. I do not say it is not.

3643. I am not aware that it is, but supposing a public analyst took it into his head that roller mill

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flour is not entitled to be called flour at all because it has less of the bye-products in it than the old-fashioned flour and does not make, which is perfectly true, a bread having quite the same flavour and quality, do you think such an analyst would be justified on his own responsibility in framing and enforcing a definition which would compel all the millers to revert to their old-fashioned millstones?—No analyst enforces anything. That is a legal point. Here you say are two different products. If the roller mill flour is sold as roller mill flour of course it is no offence. If, on the other hand, it is sold as old-fashioned flour, there would undoubtedly be an offence.

3644. They are both sold as flour?—Flour is a general term, it is an open point. There might be a successful prosecution on it. I hope to goodness I am not asked to conduct it—that is all.

3645. There is only one other question I will trouble you with. That is to ask you something about the relationship of the public analyst to the administration of the Food and Drugs Act; it is a perfectly general question, but I should like some information upon it. Do you think the present system of leaving the framing of definitions and standards to the public analyst to be dealt with on his sole responsibility is a good one?—Speaking as a public analyst if I could shed any portion of my responsibility I should only be too glad to do so.

3646. Do you think there ought to be some properly constituted body to whom he can appeal for advice and assistance in all important matters of this kind?—Certainly.

3647. Matters which of course affect the interests of large and long-established industries, and that if a mistake is made of course they could cause serious inconvenience to these industries, as well as great expense to the ratepayers. You would like to see some central body of that kind to whom you could appeal in moments of doubt?—I think, in common with everybody else, if anybody else would bear my burden I should be only too thankful.

3648. (*Dr. G. S. Buchanan.*) In the present circumstances the public analyst has to do the best he can?—That is so.

3649. If before he made any report he had to know everything that could be known of every matter connected with any given food that was sent to him for examination, if he had to look up all the literature available and test all the manufactures of that food and understand all the varieties of the food, and analyse samples from every place, he could not get on at all?—No, it would involve visits round all the coffee plantations of India, Arabia, South America, and so on before he could venture to say that the coffee was adulterated.

3650. The system of not having some central body to appeal to or having no official definition to go to may be wrong, but in the present circumstances the public analyst has to do what he can without them?—Yes. The original Act gives the public analyst no assistance. The Margarine Act gives him the assistance of defining butter and margarine, and a later Act of 1899 has given him the assistance of standards laid down by the Board of Agriculture.

3651. When it is necessary, as it is in cases where there are no such standards as you have been mentioning or no such official definitions, for the public analyst to put forward something in the nature of a definition of a particular food, is it in all cases you think necessary that he should provide himself with a definition which can be regarded as complete and free from error?—It is very difficult to obtain such a definition.

3652. In the ordinary case—I do not say that this whiskey case is such, or that the Islington case was such—the general object of the public analyst is to get some general and approximate definition of the genuine article, is it not; that is sufficient for him if he has a large departure from such a definition in the case of the particular sample that he is examining?—That is so.

3653. It may be a clumsy or wrong way to go to work, but if the public analyst did not take up new cases from time to time and take action which leads ultimately to official definitions or to general understanding between analysts, which result in what are practically the equivalent of definitions, no progress could be made at all under the Food and Drugs Act?—There could not be any work done unless a public analyst did venture to define things. Take milk, for instance, a public analyst ventured to define milk as being the produce of the cow, but that has been fought all the way round as to whether it is or is not.

3654. You had various questions put to you on the historical question as to what a spirit that was distilled from corn would be described as. There is some authority, is there not, for considering that a spirit that is distilled from corn is not whiskey, but brandy?—Spirit distilled from corn being brandy? I am not aware of that. The Germans use the term Korn Branntwein.

3655. At the time of the prosecution with regard to brandy in Islington, was the question not raised that a corn spirit might legitimately be called brandy?—It was raised, but only two witnesses would give evidence in its favour.

3656. We had on the first day of evidence extracts from Acts of Parliament and other documents, showing that this was the case?—Yes.

3657. (*Mr. Guillemard.*) The reference is given at question 671.

3658. (*Dr. G. S. Buchanan.*) In the brandy prosecution case that you had, was it admitted that the brandy had been mixed with grain spirit?—No, it was not admitted by the defence. The defence was that spirit distilled from bad wine, through a patent still, could not be distinguished from grain spirit, and therefore the analyst was entirely at sea in suggesting that there was grain spirit added and not grape spirit; but one of the witnesses for the defence towards the end actually admitted that in his opinion as a taster there was grain spirit present.

3659. (*Chairman.*) What did you allege the brandy was made from?—40 per cent. grain spirit, or something of that kind.

3660. You alleged that was not brandy?—We alleged that was not brandy, my lord. Of course, in that brandy case we had the definition of the British Pharmacopœia to help us, as that defines brandy, but the British Pharmacopœia unfortunately does not recognise whiskey, so we had no assistance from that source.

3661. (*Dr. G. S. Buchanan.*) You have known of other prosecutions for adulterated brandy?—Yes.

3662. There have been a good number of them, have there not?—There were one or two before the Islington case, in Scotland, and there have been a great many since then. There was an appeal to Quarter Sessions from a conviction by the Kensington Bench.

3663. Could you say whether in those prosecutions it has generally been grain spirit that has been used as an adulterant: do you know if it has been admitted?—I do not think it was admitted in that case. I think they fought it out to the bitter end, and produced evidence that it was genuine brandy, although the ethers were very low indeed. The prosecution in that case quoted the article on Spirits from the "Encyclopædia Britannica" that I have already referred you to, where Dr. Schidrowitz lays down a limit or quotes examples of genuine brandies and spurious brandies.

3664. There are one or two points on your *précis.* On page 8 you tell us both Irish and Scotch patent still spirit are similar in flavour. Do you say that from any special knowledge or any special inquiry?—I have tasted them both, and I could detect no difference; but I was basing it chiefly on the evidence of a witness for the defence from whom it was elicited in the course of cross-examination. I think I have that evidence.

3665. Yes, it is Mr. Stevenson. It was mainly on that that you relied?—That and my own taste. I am not a taster, but I cannot tell the patent still spirit at all; it seems to me to be flavourless.

3666. We were told by you about the hydrolysis of compound ethers in the patent still. Could you give me an illustration of what happens; for instance, take a typical compound ether: what happens when it is hydrolysed?—Taking ethyl acetate, commonly known as acetic ether, when that is acted upon by steam it breaks up into alcohol and acetic acid, so that it would disappear. The acetic acid might not be distilled to the same extent, and the ethyl alcohol would appear there as spirit.

3667. Another point that you drew attention to was the evidence given in the Islington case that pot still distillers in the Highlands were prohibited from selling their whiskies unblended to the public. Did you understand what the objection of the blenders to that was?—The objection was that they would lose the trade, as I understand it. If the distiller sold direct to the public the blender, of course, would have nothing to do with it; but if the distiller sold to the blender, and the blender put in so much of the patent spirit, he would get his profit on the transaction and get his profit on the sale. It is purely based on the evidence given there, not on my own knowledge.

3668. With regard to the co-efficient of impurities that you were asked about, can you tell us in general terms what it consists of? It is the sum of the figures in regard to what?—Acidity, aldehydes, furfural, ethers and higher alcohols.

3669. Those figures do not mean the absolute quantities of the acids, and the aldehydes and furfural and ether, and higher alcohols, present, do they?—I refer to 100,000 parts of absolute alcohol.

3670. But apart from that?—Apart from that all acidity is calculated as acetic acid. All the aldehydes are calculated as ethyl aldehyde. The furfural is simply there as furfural; the ethers are all calculated as ethyl acetate, and the higher alcohols calculated as isobutyl alcohol.

3671. In your case isobutyl?—Yes.

3672. So the figures in each case, with the exception of the furfural, which is not an important factor, are arbitrary figures, are they not?—I should not say so. I should not quite like to accept the term "arbitrary." I should rather put it that they are "grouped" figures.

3673. But there might be considerable differences between two spirits in any group giving the same number: for instance, one spirit might have different acids or different aldehydes to the other?—Yes, I think that is quite possible.

3674. The constituents of each group might be present in different proportions, and, in fact, the total weight of them might be greater in one case than in another, and at the same time they would give the same figure?—That is quite possible.

3675. I only wanted to ascertain that. Then with regard to your higher alcohols figure, that is calculated on isobutyl alcohol. The co-efficient for these added acidity, aldehydes, furfural, ethers and higher alcohols that you have used as a guide, is 380, is it not?—That is so.

3676. Have you any co-efficient for the higher alcohols by themselves, or any different figure?—No, I did not attempt that; I thought I had better take it on the total. I could soon run through them and find which is the lowest one I found.

3677. Do not trouble to do that. If you were to translate your various co-efficients here into new co-efficients based, so far as higher alcohol constituents are concerned, on amyl-alcohol, you would have to compare them with a standard based on amyl-alcohol?—Yes, so I should have to compare my isobutyl with amyl-alcohol, and do it carefully. That is a point Dr. Brown referred to this morning.

3678. What were the co-efficients by your method of reckoning in the Islington case, can you tell me?—I think the certificate is given at the very end of this book. It is at the end of the Sessions book.

3768*a*. (*Dr. Horace Brown.*) Mr. Wells' sample was 174·5 and Mr. Davidge's 110·5.

3679. (*Dr. Adeney.*) I should like, before putting any questions to you, to express my sympathy with the difficulties of a public analyst. The questions I want to put are to get as accurate information as possible. You made, in your *précis*, a statement which runs as follows: "That in the pot still all the bye-products of the fermentation and on the essential oils of the malt or grain employed is all distilled off together with the spirit, and that these bye-products are found in the finished whiskey"?—Yes.

3680. Now I take it, with that idea in your mind, or to lead up to that idea, you made these analyses of spent lees and spent wash that you have given us?—I do not think I gave you the spent lees and the spent wash.

3681. I beg your pardon. But I think you said that you found mere traces of higher alcohols in the spent wash and the spent lees?—This is a telephonic communication from my laboratory. I seem to have examined three samples of spent lees and one sample of spent wash. In one sample of spent lees I found 50 parts of higher alcohols per 100,000 of the spent lees. There was very little alcohol in those spent lees. ·6, I think it was.

3682. Can you give us the figures for spent wash?——60 in the case of a spent wash, and in the two other samples of spent lees I failed to detect higher alcohols. In one I found 50 parts and in the other I failed to detect it.

3683. (*Dr. Horace T. Brown.*) Do you know the relation of the volume of the spent wash to the original wash?—No.

3684. Or the amount of alcohol, because we could check it in that way?—The spent wash would be practically free from alcohol.

3685. If we had the amount of alcohol originally present in the wash, say it was 5 per cent., and the relation of the volume of the spent wash to the original wash, we could determine pretty closely how much had been eliminated in the spent wash?—One could do that, but I do not know what the specific gravity of the original wort was. Some of the distillers started at 1070, and others at 1050.

3686. We might take the alcohol of the original wash as about 5 per cent?—It would be more than that, would it not.

3687. At 1070 it would, of course?—We should have to know at what strength their low wines went over. It is rather a hopeless arithmetical problem on these data.

3688. I should think that would show a very large elimination of the higher alcohols in the spent wash if there were anything like 50 parts to 100,000 of liquid?—You think so?

3689. Very large?—I failed to find it at all in the others.

3690. (*Dr. Adeney.*) I suppose you agree with these results which Dr. Brown has already referred to—namely, the results given by Dr. Schidrowitz in a paper which is a reprint from the Journal of the Institution of Brewing, dated June to August, 1906? He there gives the actual volume of wash still charge and the quantity of pot ale or spent wash left after distillation. He also gives the volume of the low wines still charge and the quantity of foreshotts, whiskey and feints obtained and that of spent lees left. I do not propose to go into details, because they are not your own figures, but what I do wish to refer to is this, that the volume of the spent lees is very much greater than the volume of the whiskey obtained?—Yes.

3691. It is in the proportion of 651 to 170, according to Dr. Schidrowitz's figures. If the figures which you have given for spent lees, 50 per 100,000 of liquid, are approximately referable to similar proportions of spent lees and whiskey, the total amount of impurities of the spent lees which you examined would be considerable, would it not? What I mean to say is, you cannot maintain from these figures, can you, the statement you have made in your *précis* which I have just quoted?—I think so. I do not think that 50 per 100,000 would amount to anything.

3692. Do you know what it would amount to in the whiskey per 100,000 of spirit obtained?—No.

3693. Not more than six times would it be?—Of course, I have not gone into this, and I do not quite follow your method of arithmetic.

3694. I really want to find out, Dr. Teed, because it is of very great importance, whether there is any real scientific basis for the statement that you have made in your *précis*, or is it the general impression of the distiller?—No, I base it as far as tradition goes——

3695. It is a matter of tradition, is it not?—No, you have the statement of Mr. Allen and the statement of Dr. Bell, both agreeing with that view, and you have those analyses, which I think, although not proving it, bear it out; those analyses I gave you of strong feints and strong low wines and finished whiskies.

3696. I would suggest to you that 50 parts per 100,000 is very considerable. That is calculated on

Mr. F. L. Teed.

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the total volume of the spent wash or the lees?—Of course, I had only those two, and I do not want to found a theory on them.

3697. I think we may take it there is no real scientific basis for that statement?—Except that I rely on my analyses of strong low wines and low feints and their approximation to the analyses of whiskey.

3698. But they are not whiskey; they are put back to your low wines still?—Yes, but they compare in composition with the finished whiskey.

3699. That may be, but it is not whiskey?—No.

3700. If you will follow out the cycle of changes you are getting time after time a whiskey of approximately similar composition, as far as these impurities are concerned, and you are also getting feints?—Yes, but they all go back into the whiskey.

3701. Something must happen to the impurities in the feints, or they would accumulate to such an extent that you would finally get no whiskey at all?—I have already said that it seems to me that in two of the spent lees I examined I could not find any trace of higher alcohols. To a great extent I base my opinion on that. If you start with a certain amount of low wines, treat it how you like, either in the Irish fashion or in the Scotch fashion, you throw nothing away, and you only produce whiskey.

3702. But you throw your spent lees and your spent wash away?—Yes, but I do not think you will find either in the spent wash or in the spent lees any aldehydes, ethers or higher alcohols or furfural which will show any perceptible difference between the composition of the low wines and that of the whiskey.

3703. You are not basing that statement on any actual observations?—I am basing it on the absence of higher alcohols in the two samples of spent lees.

3704. In another sample you did find it?—I found 50 parts per 100,000 of alcohol.

3705. As a matter of fact you would find an accumulation of impurities in your finished whiskey if something did not happen gradually to carry them off in the spent lees in either a changed or unchanged form?—No, I do not think so.

3706. Then they must accumulate in your whiskey or in your feints?—No, I look at it in this way. I may be entirely wrong, but it is the way I always regarded it. If you have say, taking my analysis A, strong feints on page 9, that is 441·7, the sum of bye-products. If you take either D, E, F, or G, which are all whiskeys from the same distillery, they have approximately the same amount of bye-products.

3707. But then you take those feints and mix them in considerable proportion with some fresh low wines and put those into the low wines still, what product would you get from that combination?—May I take the Scotch?

3708. Yes, it is easier?—You get your low wines; you put into that the feints and the foreshotts from the previous operation. You get your low wines turned into whiskey and get the same amount of feints and foreshotts that you started with, and you put in your feints and foreshotts and turn your low wines into whiskey again and put back the same quantity of feints and foreshotts.

3709. Does the composition of the feints and foreshotts vary, do you think?—I have not gone into that.

3710. You would be inclined to think they were very much the same as the whiskey all through?—I should expect more aldehydes in the foreshotts and possibly a trifle more furfural in the feints.

3711. From cycle of distillation to cycle of distillation—I mean comparing it to whiskey, what do you say?—They might vary a little. Of course a great deal depends on the fermentation. You might get different products in your fermentation.

3712. But, according to your explanation, have not most of the bye-products that you get in the whiskey been derived from the feints and foreshotts of a previous distillation. Where do the feints from the new low wines come in?—Putting it in this way that you had this room full of low wines and you took it in small portions, say 500 or 600 gallons at a time, and distilled it, you would get foreshotts, and you would get whiskey and you would get feints. You take those foreshotts and feints and mix them with another portion.

3713. According to your analyses those feints and foreshotts contain similar proportions of bye-products as the whiskey produced?—Yes.

3714. According to analysis?—Yes.

3715. The volume of those feints and foreshotts is three or four times the volume of the whiskey?—No, I do not think so.

3716. The only evidence we have before us is the published analyses of Dr. Schidrowitz, and they, as I pointed out to you, clearly show the foreshotts and feints are three or four times the volume. That is my difficulty. Can you get me out of that difficulty? It is a genuine difficulty, to my mind?—What happens, of course, is, to carry on my hypothesis, after you have got rid of your few gallons from this room and have got so many less number of gallons of whiskey the feints and foreshotts go back and you put in some more of your low wines. You start with this room full of low wines and you get half a room full of whiskey.

3717. That is a point. What proof have you of that?—It is a question of strength. If you start with a huge quantity as this room would be of low wines

3718. What would be the alcoholic strength of the low wines?—I fancy the Scotch run about 22 under proof.

3719. What volume of water? I see here according to Dr. Schidrowitz the low wines are 66 under proof?—Sixty-six under proof?

3720. Yes?—I have not got any Scotch notes with me, but I think they can get much stronger than that.

3721. What I want to lead up to is the fact that the water in the low wines would be present in much larger proportion than the alcohol?—Yes, it would be a very large proportion.

3722. You certainly would not get a yield of half a room of whiskey?—No, not if it was 66 under proof certainly.

3723. We are really arguing on very uncertain premises. I think you must agree with me that there is really very little scientific basis for this statement that you have put forward?—To summarise my own evidence on it, it is that I find the composition per 100,000 of alcohol in strong feints and low wines is very much the same as that of whiskey. That is part of my basis. The other part is that I have only found traces of higher alcohols in the spent lees and spent wash.

3724. Is it possible to draw any conclusions from your statement without having an approximate knowledge of the volume of low wines you start from and the relative volume of foreshotts whiskey and feints you obtained? You really cannot draw any conclusion, can you?—I think so.

3725. Can you really?—I think so. I look upon foreshotts and feints as merely a transition stage.

3726. They are always appearing in every cycle?—They are a sort of carriers, it is not really their function, but we will assume that they are carriers of low wines into whiskey.

3727. Every charge of wash contains its quota of foreshotts, its whiskey, and its feints. In every cycle of distillation you are taking away the whiskey and putting back the foreshotts and feints, so that you are accumulating your foreshotts unless some change is happening to them whereby they are carried away as waste-products in the spent lees?—Not necessarily, because if I am right in my statement that the whiskey contains the same proportion of bye-products as low wines, there would be no necessity for anything to disappear and no necessity for anything to accumulate.

3728. Then what becomes of the impurities in the foreshotts and the feints?—They keep on remaining in the foreshotts and feints. You have your foreshotts and your feints, you put in a certain quantity of low wines, you distil them, and you get your foreshotts and your feints back as they were to start with.

3729. What about the foreshotts and feints in the quantity of new wash you put in? You have added

those, but you have taken whiskey away?—But you are taking away a lot of bye-products with the whiskey.

3730. According to your first statement the composition of the foreshotts and feints, as far as impurities are concerned, is very similar to that of whiskey?—I have never examined foreshotts, I have only examined strong feints.

3731. I am afraid we must leave it as an unsolved problem so far as your own observations have gone?—I think in low wines the figures are practically the same as in whiskey.

3732. As far as the evidence you have given us is concerned I am afraid it is unsolved?—Very well.

3733. Now, I would like to ask you some questions as to the methods of analysis you have adopted. I notice you have drawn a distinction between the chemical value of the results that you got from some of your impurities as compared with the others. You say: "the methods for the determination of acidity, aldehydes, furfural, and ethers"—by ethers you means esters?—Yes, they are called ethers.

3734. "Are fairly common to all who have dealt with the subject." You mean by that that analysts would differ in the results they would obtain, when employing these methods, by experimental errors only?—Yes.

3735. They would all practically agree as to the results obtained from them?—Yes.

3736. The errors attaching to determinations of those groups of impurities which you have enumerated are not large?—No, I should not think so.

3737. Now, coming to the higher alcohols, you refer to five distinct methods for their determination, and you say later on there are objections to each one of these methods. You do not detail these objections, but you go on to say you consider the French method most suitable. Could you tell the Commission why?—It was the only one at that time of day that could have been adopted for a prosecution under the Sale of Food and Drugs Act.

3738. That was in 1906, I think?—1905. It is not with reference to the chemical knowledge at the time, but in the case of Mason *v.* Cowdary it was laid down that three bottles constituted three different articles, and each article must be separately divided into three parts, that there were three purchases and not one purchase, so that if three bottles of whiskey had been purchased at that time it was laid down that each bottle would have had to be divided into three parts, so that the analyst could not possibly have more than a third of a bottle of whiskey for examination.

3739. What volume would that be in cubic centimetres?—A bottle is a sixth of a gallon; a gallon is 10 pounds, that would be about four kilos, that would be 600 or 700 cubic centimetres for the bottle, so that it would be 200 to 230 for the analyst. Allen-Marquardt calmly starts with 200 cubic centimetres for the higher alcohols.

3740. But that is not a necessity. You can work on 100 cubic centimetres?—You would have to get a duplicate before you dare return a result. You might send a man to prison.

3741. That was your principle?—That was one strong ground, in fact we could not get over that very well. Another ground was that the treatment in the Allen-Marquardt method of oxidation with bi-chromate and sulphuric acid seems to give a varying percentage of the amount of stuff you put in. For instance, to quote figures, I tried oxidising these things without any extractions from alcohol, simply weighing out amyl-alcohol and various things of that kind, and adding bi-chromate and sulphuric acid, and in each case except acetic acid they were partially oxidised to carbonic acid which was lost, and I got varying amounts of acid that I ought to have got. I think I have some figures here.

3742. Could you hand those figures in to us?—I do not seem to have them here, I thought I had.

3743. Perhaps you can send them in?—Yes, I will see if I have them.

3744. You are, of course, aware of the strong opinion that Mr. Allen held as to his Allen-Marquardt system?—It was his own child.

3745. He is not the only analyst that has been wedded to that process?—I will quote an instance that occurred in our brandy case. An eminent analyst for the defence there stated that the spirit contained some 400 parts of higher alcohol. That, of course, was a hopeless statement. Grain spirit could not possibly have contained that, and brandy could not have contained it.

3746. Would you put the figure again?—It is upwards of 400 I put it—I think it was 448.

3747. That is the Allen-Marquardt?—Yes, I believe it was determined that way.

3748. Will you give us the reference to it?—I think you will find that in Mr. Fordham's judgment.

3749. Are you aware of the figures that Dr. Schidrowitz has published having the same or a similar object to your own?—I have read those.

3750. They were published in the "Analyst," that is the journal of the Society of Public Analysts?—I am not a member of that Society.

3751. But you admit it is an authoritative Society?—Not at all.

3752. Really?—No. It is a Society that for many years called itself the Society of Public Analysts, whereas not 25 per cent. of the members were public analysts.

3753. You do not doubt the qualifications of Dr. Schidrowitz as an analyst?—I have no reason one way or the other. I know nothing about Dr. Schidrowitz except from those of his writings which I have read.

3754. For the colorimetric method you say you selected iso-butyl-alcohol as a control?—Yes.

3755. May I ask why you did that?—Because Girard and Cuniasse did it in connection with brandy, and I simply followed that out, having it in the laboratory for the purpose of brandy analysis.

3756. Were you not hampered by the differences of colour?—No.

3757. They do not give the same shade of colour, do they? I mean the iso-butyl-alcohol, and whiskey?—Yes, I think you will find they do pretty well.

3758. My experience does not quite coincide with yours?—Perhaps you have a more accurate eye than I have, or there was a little variation in shade which I did not notice.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

EIGHTH DAY,

Tuesday, 31st March, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. F. L. Teed.

31 March 1908.

Mr. FRANK LITHERLAND TEED, recalled.

3759. (*Dr. Adeney.*) Dr. Teed, before proceeding with the questions on the methods of analysis I should like to go back to the figures you gave us yesterday for the higher alcohols in the spent wash and the spent lees. I think you said there were 60 parts per 100,000 in the liquid of the spent wash and 50 parts per 100,000 in the spent lees?—Yes, and I had two samples of spent lees, (you have the paper in front of you) in which I think there were none.

3760. I will come to that afterwards. I have calculated what this really means so far as the loss of these higher alcohols by means of the spent wash and spent lees is concerned. If you assume that by the distillation of the wash its volume has been reduced to two-thirds of its original bulk, then 60 parts per 100,000 of the spent wash must be equivalent to two-thirds of 60, that is, 40 parts per 100,000 of the original wash before distillation. If we take 6 per cent. of absolute alcohol as a maximum in the original wash, which I think is a fair figure to take, the above amount of higher alcohols calculated on 100,000 parts of alcohol in the original wash amounts to 666 parts?—I accept your arithmetic.

3761. You accept those figures?—Yes.

3762. If those figures be correct, you eliminate by the spent wash more higher alcohols that you have in the whiskey?—Yes, that is only one experiment of mine. In the two other spent lees I could not find any higher alcohol.

3763. It might interest you if you turn to Dr. Schidrowitz's paper in the journal of the Institute of Brewing in 1906; he rather confirms those figures of yours. He gets for pot ale 62 parts per 100,000 as determined by the method you adopted yourself, the colorimetric method?—Yes.

3764. Then in the spent lees, if you assume their volume to be three times that of the whiskey obtained, the loss by them of higher alcohols, taking your figure of 50 parts per 100,000, would also be considerable?—I accept those figures.

3765. I just wanted to clear that point up?—May I amplify two of my answers given yesterday to Dr. Brown. One was the question as to whether change of manufacture had ever been considered an infringement of the law in any way. I have forgotten the exact question, but I think that is the purport of it. I gave the instance of cigarettes. I should like to add the instance of Demerara sugar. Demerara sugar is an article which is a partially refined sugar, like whiskey is a partially refined alcohol, or an unrefined article whichever way you like to put it, and many prosecutions have taken place where refined sugar has been coloured to imitate Demerara sugar.

3766. (*Dr. G. S. Buchanan.*) The offence has been for selling the pure sugar as Demerara sugar?—That is so.

3767. Not for selling it as sugar?—Not for selling it as sugar, certainly not. The other answer I should like to amplify a little was also to a question by Dr. Brown as to whether I had instigated these prosecutions or whether they had been instigated by the Islington Borough Council. I explained that I had not instigated them or made any suggestion. As Mr. Fletcher Moulton, as he then was, suggested in the police court that these prosecutions had been instituted by the trade, I think I am entitled to say that, as far as I am aware, the trade did not contribute any single coin to the Islington prosecution—certainly none of it came my way; I had no remuneration from the trade. The whole of my remuneration was from the Islington Borough Council.

3768. (*Dr. Horace T. Brown.*) My questions were rather intended to elicit whether you were individually responsible for this particular prosecution?—No, I was not.

3769. (*Dr. Adeney.*) Now, Dr. Teed, there are a number of different alcohols you include under the term higher alcohols?—That is so.

3770. Could you name the chief ones?—I believe they vary in different drinks.

3771. Whiskey, we will take?—I believe it is chiefly amyl in whiskey. I do not know of my own knowledge; I have never examined the point.

3772. You can give us no information as to others?—No direct information.

3773. Have you found, in the composition of similar whiskies, I mean of pot still whiskies from the same distilleries, there is uniformity in chemical composition?—There is no absolute uniformity, but there is a certain sort of resemblance amongst them. If you refer to the tables I have handed in and take, say, Irish Whiskies from Distillery A, and compare all those, say, with Distillery E or Distillery C, you will find that each distillery has more or less a resemblance amongst itself. That is rather well brought out in E. E gives high furfurals. C gives, you might say, medium furfurals. A gives on the whole low furfurals. There is one exception that is 23 years old; that is a very high one.

3774. Of course, you know that it has been stated that the production of these higher alcohols from the worts depends very much on certain nitrogen compounds in the malt?—I have always understood that the higher alcohol was produced towards the end of the fermentation by the ordinary yeast. I know there is a theory that foreign bacteria produced them, but I did actually make some fermentation, I think one we carried through, with a pure yeast culture, and we found higher alcohols present. It was a brandy yeast and the result was something like the composition of brandy.

3775. What I wanted to get from you was whether you can tell us whether the composition of these higher alcohols varied with the quality of the malt?—No, I cannot tell you anything about that. I do not profess to be an expert distiller in any sense of the word. I considered that my functions were really over when I had found a method for distinguishing between the two whiskies, using the term whiskey for the moment to include patent still spirit.

3776. Now to return to the colorimetric method of analysis, you are aware of course that the colour given by different higher alcohols varies in intensity a good deal?—Yes.

3777. Perhaps this book that you have already referred to, by Girard & Cuniasse, would give us

those. It is on page 200. We might have them on the Minutes?—Alcool caprylique, 11; isobutylique, 10; œnanthylique, 7; amylique, 3.

3778. Propylique gives no colouration?—I believe not.

3779. Those are proportional numbers?—Yes. They are not my determination, of course.

3780. No, but that is a recognised text-book?—Yes.

3781. So that this colorimetric test, when applied to different samples of the same class of whiskey, would give considerably different values, if the constituent higher alcohols varied in relative proportions therein?—Assuming, of course, that equal weights were present; that is what you mean?

3782. Yes?—Yes, that is so.

3783. There are several conditions which seriously affect the colour by the colorimetric test. The method of heating with sulphuric acid has a very considerable effect, has it not?—I think so. We just heat to boiling for 15 seconds and then allow it to stand for 45 minutes.

3784. Did you heat over a naked flame?—Yes.

3785. Have you tried what occurs if you heat in a water bath?—No.

3786. Are you aware of any results obtained by the different methods of heating?—No.

3787. Now as to the possibility of obtaining pure isobutylic alcohol for your control. That, of course, is a fundamental detail in the process?—Yes.

3788. Did you find any difficulty in getting the pure isobutylic alcohol?—No. We seemed to have the right specific gravity and the right boiling point, and it seemed to boil right through at the right temperature.

3789. Is it easy to obtain in the market?—I have really forgotten which particular merchant we bought it from.

3790. You have not instituted comparisons with different samples obtained from different dealers?—No, I have not.

3791. And you have paid no particular attention yourself to getting it pure?—Beyond the ordinary test for chemical purity, the ordinary boiling point, and so on, I have not.

3792. Have you had occasion to compare the results you obtained with the results obtained by other observers?—I looked through Dr. Schidrowitz's earlier papers, and I could not find the least resemblance in any particular.

3793. Between yours and his?—No. His aldehydes are quite different from mine, I think you will find.

3794. I am confining myself now to the higher alcohols as indicated by the colorimetric test?—I translated a lot of his figures by using the same factor. I have forgotten it now. It is so many years ago, but I could not find any resemblance.

3795. Those are the only figures you have compared? You have not compared your own results with the results of other observers?—I think you will find three Irish and one Scotch whiskey in that book of Girard & Cuniasse which rather resemble my results. I have forgotten the page.

3796. (*Dr. Horace T. Brown.*) One is a very low one, I think?—Yes, one is a very low one which Messrs. Girard & Cuniasse consider to be adulterated. It was a whiskey purchased in Paris

3797. (*Dr. Adeney.*) Yes, I see it is just half the others?—Yes, there is something curious about that one.

3798. Do those figures for the higher alcohols agree with yours?—I have not the figures in front of me. I think the sum of the bye-products agrees with mine. Looking at Girard & Cuniasse they show a general agreement, I think. I have not worked out the higher alcohols particularly by themselves, but on the whole they are rather lower, I should think.

3799. They are lower than yours, are they?—I think so.

3800. That is the only evidence you can give us to show that other observers would obtain similar figures from the process that you use as you yourself obtain?—I had a conversation with Dr. Clarke who, by a different method, has obtained similar figures. He agreed with my standard: he thought it was a little low, but otherwise he thought it was a correct standard of whiskey.

3801. (*Dr. Horace T. Brown.*) That was a colorimetric method?—Yes.

3802. (*Dr. Adeney.*) There is another point with reference to this colorimetric test I should like to ask you about. The higher alcohols which you enumerated from this book of Girard and Cuniasse are not the only things present in whiskey that will give you a colour?—That is quite possible. There is supposed to be a terpene present.

3803. What about acetate of amyl?—I do not think that would give you very much colour.

3804. Have you tried the experiment?—Not direct on acetate of amyl, but we have tried removing the ethers before determining the higher alcohols and have found no difference. They do not seem to affect the result.

3805. You are relying, I think, for your standard simply upon the gross total of the impurities?—That is the way I used it.

3806. Could you improve that standard by any reference to the relative proportions of each constituent?—I have no doubt it could be done.

3807. My difficulty is this: that your figures for the colorimetric test are so very large compared with your figures for other constituents and unfortunately those figures for the other constituents are really a great deal more exact than they are?—How do you mean more exact?

3808. I think yesterday you told us that the methods for determining the acids and the esters were extremely accurate methods?—They are better than the higher alcohols.

3809. They are a great deal better, are they not?—They are.

3810. Do you not think your standard really practically depends upon this colorimetric test for the figures you get for it?—Unfortunately that is so.

3811. Do not you think that is a danger?—I do.

3812. Would it not be possible to found a standard upon the relative proportions or at any rate with some relation to the other constituents?—It is peculiarly difficult. I will give you an instance. If you refer to my results in Scotch whiskies I refer you to Distillery H; you will find there the quantity of ethers is very much larger than in any other whiskey I have ever come across. If that were taken as the standard of ethers, every other one of them would be condemned.

3813. But you would surely not take such an exceptional analysis as that; you would exclude it for the purpose of determining a standard?—That H is a very fine whiskey.

3814. That would come well within any standard that you formulate upon the esters. There would be no fear with regard to that?—No. Apart from that another very great difficulty in whiskey analysis that I have come across is that whiskey grows; I mean that if you take a new whiskey you do not get nearly so many bye-products as you do in an old one. That throws an additional difficulty in the way of an analyst.

3815. If you know the origin of the whiskey, is that a difficulty?—I think so.

3816. Does it not enable you to form some judgment as to the age of the whiskey?—I do not know. You would have to have a great many more data than I have at my disposal to come to any conclusion.

3817. You do not think, taking a similar whiskey, that the quantities of acids are a characteristic of age?—Yes, the acids seem to increase with age and the aldehydes seem to increase with age, and then occasionally you find there is a drop. You are brought up against a brick wall and you do not know what to do.

3818. My object in asking you these questions is to see how far we can rely upon this colorimetric test. I am afraid two analysts would be very likely to obtain different results even when working as far as possible on similar lines. In my own experience I have got just double the figures when heating over a naked flame as compared with heating in a water bath?—Using the isobutyl in the same way?

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3819. Yes. The method of heating seems to have a very decided influence upon the colouration you get?—Of course, that would mean that each analyst would have to make his own standards.

3820. So that that standard you put forward could not be taken as a general standard for whiskey?—No.

3821. It could only be taken by a chemist for his own individual guidance?—Accepting your figures absolutely, that is, of course, the natural conclusion one would arrive at.

3822. I was under the impression—I cannot pick it out just at the present time—that you had stated in your proof of evidence that different observers would obtain similar figures?—I have obtained the same figures as other observers. It may be, as you suggest, an accident.

3823. I would like to put this question to you. It is, of course, some time ago since you put forward this standard?—Yes, it was in 1905, I think.

3824. I daresay you have done further analyses since then?—I have carried on no further investigations in the matter since then.

3825. But you had the benefit of criticisms from your brother chemists, have you not; have you seen any?—No; I do not read those things.

3826. So far as your knowledge is concerned, you see no reason to in any way modify that standard which you put?—No. I have analysed whiskey from time to time up till last week, for instance, and I find pretty much the same results that I obtained formerly.

3827. Have you, since that standard was formulated, analysed any of the Lowland malt whiskies which are said not to come within your standard?—I have analysed what is sold in the market as a Lowland malt, but that is a malt which has been passed through a patent still. It was a distillery that was brought out in the police court—Glen Mavis. It is a distillery where they use nothing but malt, and they pass it through a patent still; I do not know why. It was not quite clear why they did it. They keep it for five years and it was not quite clear why they kept it, because the son of the proprietor explained that the people who bought it prefer it new, but they always keep it for five years. I think I could find that. That gives a coefficient or a sum of bye-products of 117·6. That was sold, I understand, as a Lowland malt, but, of course, it is not what I recognise as a Lowland malt.

3828. It does not come up to your standard?—No; it is a patent still spirit.

3829. (*Mr. Guillemard.*) There is only one point I should like to ask you a question upon, and perhaps you will excuse me if I do not put it right. Being a layman I am a little out of my depth. I cannot quite understand what will be the practical use of your standard, the minimum coefficient of 380. You maintain, do you not, that pure pot still is whiskey?—Yes.

3830. And you also maintain that a blend of pot still and patent still is not whiskey?—Yes.

3831. Now assume that a spirit is given to you for analysis, and that, as a matter of fact, the coefficient is, say, 390?—Yes.

3832. This is a point that is puzzling me. That coefficient of 390 might be arrived at in two ways; the spirit might be a homogeneous pure pot still spirit working out to 390. That is so, is it not?—Certainly.

3833. It might also be a mixture of a very strong pot, which, I gather from you, might go up to 500?—600.

3834. A mixture of very strong pot still and brought down by the addition of patent still till it gets to 390?—Yes.

3835. Your coefficient would not in any way help to distinguish those two products, would it?—No.

3836. Then it would not help to distinguish two products, one of which you would allow to be sold as whiskey, and one which you would forbid?—It is not a perfect test.

3837. That is what I want to get at; would it be a test at all?—I think so.

3838. Take those two products that I put to you. How would you be able, simply by an analysis that would bring out a coefficient of 390, to arrive at all at whether that was a pure product or a blend. I do not know whether I make myself clear?—Yes, you are quite clear. Taking that test, you could not distinguish between that. All you could do would be to say that you could detect certain frauds, but not all. I am assuming now it is a fraud.

3839. Quite so. What would be the sort of amount you could detect in a blend?—I think I could detect 25 per cent.

3840. Not by the standard? No doubt it is partly through my own ignorance, but I do not quite understand how you could detect it. You have got a product which gives 390?—Yes.

3841. How can you distinguish the pure pot, the unmixed product that gives 390, from a blend that gives 390?—You cannot.

3842. Then detecting the addition of the 25 per cent. of pot still does not come in. The coefficient would be no guide to helping you to know whether any patent still spirit had been added?—Not if you had the coefficient of 390.

3843. That is what I am assuming?—Not in itself. A more elaborate investigation might.

3844. By other processes, but not by the coefficient itself?—No.

3845. (*Chairman.*) Mr. Bramall, in his evidence, told us that the Islington authorities had caused certain purchases to be made of two classes of whiskies?—Yes.

3846. Were they submitted to you for analysis?—Yes.

3847. You discovered, I think, in both those specimens, both those purchases, 90 per cent. of patent and 10 per cent. of pot still?—I have forgotten the exact figures.

3848. I think that is so. However, it was a large proportion of patent?—Yes.

3849. (*Dr. G. S. Buchanan.*) You reported it all as patent still, did you not?—In these two cases.

3850. Mr. Bramall says that was your return?—I think it was entirely patent in these two cases that went to the Police Court.

3851. (*Chairman.*) Your objection, as I gather now from your evidence, is that if the specimen contains such a large proportion of the patent still it is not whiskey at all?—That is my objection.

3852. How does that apply to any range of blend? Suppose it was reversed or suppose it was 50 per cent. of pot and 50 per cent. of patent, where is the point at which you would not be able to call the blend whiskey?—I do not think any blend should be called whiskey, using the term blend in the trade sense for the moment. That is, any admixture of patent spirit should not be allowed to be sold as whiskey.

3853. If the proportion had been changed and it had been 10 per cent. only of patent and 90 per cent. of pot, would you say that 10 per cent., which you would call adulteration, caused the substance to cease to be whiskey?—I think so. I do not say I should have been able to detect it.

3854. What would you fail to detect?—It depends on the strength of the pot still you are mixing with it.

3855. I am taking 90 per cent. pot and 10 per cent. patent, and you say that would cause the substance to cease to be whiskey?—I think so, just the same as the addition of one per cent. of water to milk causes it to cease to be milk, although you may not be able to detect the one per cent. of water.

3856. You are mixing there two different known substances, the water and the milk, but here this patent spirit by some people is called whiskey?—It is called so in the trade, but the public has never been let into the secret.

3857. I am placing full reliance on your evidence, and I am asking you this: the assertion that, by putting 10 per cent. of an ingredient known in the trade as whiskey into 90 per cent. of that which you admit to be whiskey, that 10 per cent. addition alters the substance, is rather a great responsibility, is it not?—I do not say it entirely alters the substance.

3858. I am giving you 10 per cent. and 90 per cent. You know better than I do whether it alters the

substance or not. I am only asking you whether it is not a great responsibility to say that that ought to be condemned as not being whiskey at all?—I should say it is an ingredient mixed with another ingredient, and is not whiskey.

3859. You start with the premise that a patent still whiskey cannot be whiskey at all. That is a question of name. What is the effect upon the mixed body of putting in this 10 per cent. of the patent still? Does it make it at all unhealthy?—No.

3860. To what extent does it lose strength?—In flavour, to the extent roughly of 10 per cent.

3861. Only to the extent of the difference between these two bodies called whiskey by other people?—Yes.

3862. Where is the great evil of this mixture? I am not speaking now of scientifically defrauding the customer, but where is the great evil to the customer that he should have this complaint?—The evil is that he probably pays at the rate of pot still whiskey and gets 10 per cent. of something which costs half the price.

3863. The Commissioners appreciate that somebody would get the benefit, but as to the consumer himself, what is the difference to him whether he drinks one or drinks the other, so that he should be able to say, "I am injured"?—There is the loss of flavour.

3864. Now you come to the practical point. It is the higher flavour and the higher bouquet of the pot still?—That is so.

3865. Is it every customer that likes that very high flavour?—That I cannot say. I may say in fact that I have an instance in my own family circle. My wife cannot possibly drink whiskey but can drink patent still spirit. She detests whiskey.

3866. For some purposes the patent still would be preferred?—Yes.

3867. Why would the patent still be preferred?—By people who do not like the flavour of whiskey. There are people so lost to all sense of palate that they do not like whiskey.

3868. We have heard of cases of a patient requiring a stimulant. According to you is the pot still whiskey a greater stimulant, that is, does it contain more spirit than the patent still?—Not more spirit, but more of the flavouring matters, which I understand the doctors say are valuable. I think Dr. Murrell gave evidence on that.

3869. Does not that contain more stimulating power?—I leave that to the medical men.

3870. A man who goes to a publichouse and asks for a whiskey probably does not go there for the purpose of recuperating his health and obtaining a stimulant for that purpose. What do you think is the difference to the ordinary man—I will not call him the drinker—but the ordinary man who goes in and says to the publican, "Give me a glass of whiskey," between those two bodies, blended patent and the pot still pure?—Personally I should miss the flavour of the pot.

3871. It has a stronger flavour?—A fuller flavour, a finer flavour. In the patent there is no flavour.

3872. Which do you think is best for the man?—I do not think it makes any difference provided they are both old.

3873. Let me put it in another way. On which class of liquor would he become intoxicated more quickly?—I do not think it makes any difference provided he took the same weight of alcohol.

3874. Would not the old pot, with its fuller flavour, be rather more stimulating in that direction?—Not in the way of intoxication.

3875. Then it makes no difference to him which he gets except that you think he is defrauded in the flavour, if he likes it?—Yes.

3876. If he does not like it he gets the better of it?—Yes, if he prefers patent still.

3877. There is no medical inferiority; no alteration?—The medical question I cannot speak about. Dr. Murrell has said there is medical inferiority.

3878. It is bringing it rather to a narrow point, is it not, as to where the injury arises?—I do not know. It seems to me a very important point; it is to his pocket.

3879. I mean as to the injury inflicted on a person?—It is a pocket injury, a question of money.

3880. Do not think I am not appreciating that. If a seller is selling a very cheap article at a dear price that is a very great evil, and ought to be changed if possible, but on the other point, as regards the injury to the customer, there is not much injury to him?—There is no injury except that he gets an inferior article. The man who asks for whiskey probably wants whiskey.

3881. I am endeavouring to get from you whether this is a question of name or substance. With the exception of the higher flavour which the man may like in the pot still there is no difference?—I see not the slightest objection to patent still spirit being sold under its own name. If a man prefers patent still spirit, and we have heard there are people who do, by all means let him have it, and let it be sold as patent still.

3882. We heard from Mr. Bramall, who gave his evidence very clearly, that he did not object to the sale of this patent spirit, speaking with such authority as he possessed?—No, neither do I.

3883. All that you want is that the person who pays should know whether he is getting patent or pot still?—That is so.

3884. Supposing he does not know the difference between the two what is the advantage of his knowing?—I think he would very soon be educated if he had a chance of tasting the two.

3885. It is perhaps in happy ignorance that he goes to a public-house and asks for a glass of whiskey, and does not know whether it is pot or patent he is getting?—I think you will find the bars where they sell pot still are more frequented than those where they sell patent still.

3886. That is what I am asking you. With the experience you have on the subject how are you going to let the man know? I am not speaking of where the whiskey is in casks or even in bottles; if a man goes into a public-house and says, "Give me a glass of whiskey," what is the licensed victualler entitled to do?—I should think he would have to give him either Scotch or Irish whiskey.

3887. That, translated, meaning pot still whiskey?—Yes.

3888. If he asks for whiskey is it a logical view that the innkeeper if he had got what in the trade is called whiskey, namely, patent still, would not be entitled to give it him, but must give him the pot still whiskey?—That is my interpretation.

3889. If he said, "I want pot still whiskey," he would have no means of testing it at the moment except by the taste?—That is so, you cannot carry a laboratory around with you.

3890. I do not see how you could carry the argument into enforcing it with regard to these retail purchases?—It would be quite possible to make a retail purchase, and have it tested analytically.

3891. I am speaking in the ordinary way. An ordinary person would not see the bottle probably?—No. There are men who have such palates who could tell better than by any analysis what the sample was; a professional taster could tell you the composition of the spirit supplied much better than any chemist.

3892. Have you learned whether many people prefer the blended whiskey to either of the pure whiskies?—I cannot say that. I have heard of instances where people who for the first time in their lives tasted real whiskey have said they never knew what whiskey was before.

3893. They found it a little strong, of course?—No; they found it very good.

3894. You know from your knowledge that there is an enormous quantity of this blended whiskey sold?—Yes, unfortunately.

3895. I do not see why, and I am sure you will tell me, if it is not hurting anybody to drink it?—I am, perhaps, speaking rather personally. If I am invited to whiskey, which I sometimes take, and I am supplied with some obviously patent spirit, it is a great disappointment to my palate.

3896. That is almost a conclusive argument, and I do not see what I am to say to it. I shall not be able to carry you over your disappointment. That really probably is the foundation of your evidence to a great extent?—I rather like good whiskey.

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3897. You prefer the pot?—Distinctly.

3898. Have you ever tried the ordinary blend?—Yes.

3899. You do not like it?—No, not as compared with pot. There is a want of flavour about it.

3900. (*Dr. Adeney.*) May I ask Dr. Teed one or two more questions? I promised to give you an opportunity of putting some further figures in about the wash and spent lees. Would you describe those?—In one sample of spent lees from the No. 1 low wines still, I find furfural 0·1 per 100,000 of the spent lees, and the higher alcohols were absent. From the same distillery from No. 2 low wines still, I found furfural 0·1 per 100,000 of spent lees; the higher alcohols absent. Then, in the spent wash from the same distillery, I found furfural 0·25 per 100,000 of spent wash; higher alcohols 60 per 100,000 of spent wash. Another spent wash, from wort of higher original gravity, I found furfural 0·5 per 100,000 of spent wash; higher alcohols 60 per 100,000 of spent wash. From another distillery I found in the spent lees higher alcohols 50 per 100,000.

3901. There is one more question I wanted to ask you. It is important to separate furfural before proceeding to any colorimetric test, is it not?—I should say very much so.

3902. And you did that by treatment with metaphenylenediamine-hydrochloride?—That is so.

3903. Is that a complete means of separation of the furfural?—All the tests I have tried on that point show that it is. I know that point is disputed.

3904. If the dispute were justified, that is to say, if it does not wholly separate it, it would affect your colorimetric tests?—Yes, make them a little higher. Then did you want to know something about some tests of mine on the Allen-Marquardt method?

3905. It would be as well if you put them in; perhaps you would read them so that we shall have them on the minutes?—In order to check this process I took weighed quantities of amyl-alcohol, and I tried it without dissolving it in spirit, and without extracting it with tetrachloride of carbon. I treated it directly with the oxidising mixture as recommended, and I found that when the oxidation lasted three hours I only obtained 81 per cent. of the amyl-alcohol. Oxidising for the whole day I found 82·7 per cent. With isobutyl alcohol in three hours I got 55·2 per cent., and in the whole day 62·0 per cent. Valeric acid treated for the whole day gave 75·7 per cent. In order to show there was no loss in the process I took some valeric acid and mixed it with this bichromate mixture, and distilled it at once, and there was no loss. It was not a case of its escaping while being distilled. I got it all back on immediate distillation. Then butyric acid for the whole day gave 83·6 per cent., and immediate distillation gave 95·4 per cent. Acetic acid showed no loss whether oxidised for the whole day or distilled at once. In all these cases carbonic acid was given off except in the case of acetic acid. Then I tried one blank experiment with pure alcohol, alcohol that I had reason to suppose was quite free from higher alcohols, and the figure I obtained expressed in terms of amyl-alcohol would have shown 95 parts per 100,000 of absolute alcohol. Those are the tests I tried that showed me even that method was not a perfect method.

3906. I am afraid I shall have to ask you a few more questions upon that. What amylic alcohol did you take?—I got it from one of the chemical dealers.

3907. Do you think it would be safe to depend upon the purity of that?—I think we took its boiling point and all that sort of thing.

3908. Do you remember what the boiling point was?—No, I do not. These were done years ago, and I have only rough notes of them.

3909. Was it a normal alcohol?—I think it was a fermentation alcohol.

3910. In the process of digesting what means did you take to avoid loss?—A reflux condenser.

3911. That was all?—Yes, I think that was all.

3912. Then you used carbon tetrachloride?—No. These were done so as to eliminate everything. I wanted to see what the actual oxidation of these things produced without the tetrachloride of carbon, and without extracting it from alcohol—simply weighing out so much.

3913. What was the nature of your experiment with alcohol by itself?—That was extracted with tetrachloride of carbon, just the Allen-Marquardt method shaken up with brine and the tetrachloride of carbon oxidised with the bi-chromate.

3914. What was the result?—The result showed that the original alcohol, which was blank or pure alcohol, worked backwards, would have contained 95 parts of amyl-alcohol per 100,000 of absolute alcohol.

3915. In the use of the carbon tetrachloride in that experiment what care did you take to get a pure tetrachloride?—Again it is many years ago, but I think we oxidised it by itself first and then distilled it. Then may I draw your attention to an answer which I gave yesterday with regard to the higher alcohols determined in the brandy case by an eminent analyst. I think I stated in my answer that he found 448 parts.

3916. (*Dr. Horace T. Brown.*) Was that in the evidence of Dr. Hehner?—Yes. He found 468 parts, and that of course was in a brandy, which never contains 468—a genuine brandy mixed with a grain spirit which contains not more than 50 to 80. It simply shows to my mind that even an eminent analyst like that with a process like the Allen-Marquardt, might go very far wrong. Then I should like to show you, if it is not too late, a little parcel of essences, I think they call them, for making whiskey out of patent still spirit. There are a number of them here, with various objectionable odours, and some are to make brandy, and some to make rum, and some to make extra fine rum, and some to make Scotch whiskey, and some to make Irish whiskey.

3917. (*Mr. Guillemard.*) Have you any evidence as to the actual use of those things for that purpose?—I can only say that I think Mr. Bramall has already put in the trade list of one firm that advertises the sale of these things. That is a trade list of another firm with a letter accompanying it.

3918. (*Chairman.*) This list refers to turpentine, and so on. What shall I find in this trade list about these essences?—Only the prices. Mr. Pheysey handed me these things. He was a witness in this case.

3919. (*Mr. Guillemard.*) Have you any knowledge of what trade these people do, or who their clients are?—No, I know nothing about them.

(*Chairman.*) This is very important, but I think if it is to be proved it must be proved in a more direct manner. We can call Mr. Pheysey back if necessary.

The witness withdrew.

Dr. P. Schidrowitz.

Dr. PHILIP SCHIDROWITZ, called.

3920. (*Dr. Adeney.*) You are a consulting and analytical chemist and a specialist in the alcohol industries?—Yes.

3921. You are a Doctor of Philosophy in the University of Berne?—Yes.

3922. A Fellow of the Chemical Society and a past Member of the Council of the Society of Public Analysts?—Yes.

3923. A Member of the Committee of the Society of Chemical Industry and a Member of the Council of the Institute of Brewing?—Yes.

3924. And you have been called to give evidence before several Departmental Committees, I believe?—Yes.

3925. Were you in any way connected with the Islington trial?—I was present at the trial.

3926. You were not retained by either side, were you?—Yes, I was. I was retained by the defence in that case.

3927. You are the author of numerous papers dealing with the chemistry and technology of the various alcohol industries?—Yes.

3928. Would you like to give a list of papers which you wish particularly to refer to?—Among others there is "The Chemistry of Whiskey," two papers in the Journal of the Society of Chemical Industry; "The Distillation of Whiskey," in the Journal of the Institute of Brewing; "The Application of Science to the Manufacture of Whiskey," in the same Journal; "The Practical Application of Pure Cultures in the Distillery," which I have read quite recently, and which will appear in the same Journal. Then "Some Experiments on the Proteolytic Enzyme of Malt," in the same Journal; a paper on "Brandy," in the same Journal; and two papers on "The Estimation of Higher Alcohols," which appear in "The Analyst." There are a number of other papers, but it is not necessary to mention them.

3929. Those are all you wish specially to mention?—Yes.

3930. You have, I believe, had a wide experience of the manufacture, technology, and chemistry of spirits, particularly of whiskey?—Yes.

3931. And you are familiar with a large number of distilleries?—Yes.

3932. And you are frequently consulted with regard to technical and scientific points bearing on distillery work?—Yes.

3933. You have made a very large number of analyses of whiskey, etc.?—I have.

3934. I would like in the first instance to ask you some questions with regard to the restriction on materials employed. What opinion have you formed?—My opinion is that one may very well restrict the materials from which whiskey can be made to cereal grains, and I think that would very accurately describe whiskey as it is made at the present time.

3935. You would say that only cereal grains are to be employed?—Yes, I think that only cereal grains should be allowed—at any rate, so far as Irish and Scotch whiskey are concerned.

3936. Would you define cereal grains in relation to Ireland and Scotland?—I mean such grains as barley, wheat, rye, oats, maize, rice, and similar grains.

3937. You would not exclude maize?—No, certainly not.

3938. And you would include rice?—Yes. I think the only reason why rice is not used is because of its cost.

3939. It would not affect the flavours?—I do not think so.

3940. Should there be a minimum of malt employed in the mash, do you think?—My view is this, that the amount of malt in the mash is dependent upon two factors. First of all, on the necessary quantity of diastase for conversion; and secondly, for flavour; and in my view the sole limitation which one could impose would be that of flavour, and as long as one cannot define or standardise a flavour I do not see how one could standardise a mash. At the present time I believe that the majority of the great patent still distillers employ approximately 25 to 30 per cent. of malt, which is a great deal more than is necessary for conversion purposes, merely for the conversion of the starch; and I think that fairly describes the patent still practice generally. Whether it would be desirable to stereotype that is rather more a question, I think, for the trade.

3941. The all important question of flavours, I suppose, would dominate that?—I think so. May I say one word with regard to maize. The question of the propriety of the use of maize has been raised very largely in these discussions, and I think on the one hand it is contended that if you use maize in a pot still you get an undrinkable product. I do not think that need be seriously considered, because there are millions of people in the United States of America who drink nothing else. Secondly, the argument is advanced that although maize may produce a potable spirit in a pot still, it does not produce Scotch whiskey or Irish whiskey. I think there is a good deal to be said for that, or there was until quite recently. But quite recently there has been a very important paper in the Journal of the American Chemical Society by two members of the staff of the Inland Revenue Laboratory in America. I have that paper here. It is in the January number of the Journal of the American Chemical Society of this year. They come to the conclusion that the specific characteristics of American whiskey are due almost entirely to the method of storage and the type of cask employed. In America they use a cask which is very highly charred, and that produces an entirely different type of flavours to the ordinary cask as we use it here, or a sherry cask.

3942. (*Chairman.*) What is the effect of the charring?—The effect of heating the inside of the cask is to carbonise it, and a certain amount of charcoal, a layer of charcoal is formed, and that layer of charcoal has a specific effect on flavour. I may say charcoal is also used largely by the Irish distillers in their stills, but that is another matter. In the latter case it is used for the purpose of purification. In their conclusions they say on page 136: "The characteristic aroma of American whiskey is derived almost entirely from the charred package in which it is aged." I have here a sample of American Bourbon whiskey made from maize, or largely from maize, and I should like you to see that this is, at any rate, not an undrinkable or very unpleasant product. It may not suit the palate of the consumer here, but at any rate it is not an undrinkable product.

3943. Where did you get that from?—That was sent to me from America.

3944. Do you know anything of its origin?—Yes, I specially wrote over to America to get a sample of Bourbon whiskey, and that is a very well-known brand, "Old Pepper whiskey."

3945. (*Dr. Horace T. Brown.*) Did that come from Dr. Wiley?—No, I did not get that from Dr. Wiley.

3946. (*Dr. Adeney.*) That is a maize pot still whiskey?—Mainly maize.

3947. But a pot still whiskey?—Certainly pot still.

3948. (*Chairman.*) Does it come up to our idea of whiskey in this country?

(*Dr. Adeney.*) It does not come up to mine.

3949. (*Chairman.*) What do you say to this? Does it occur to you that this whiskey you have produced tastes like pure whiskey that we should have here?—No, my lord, the flavour is different, but that is largely due, as these people I have quoted have pointed out, to the character of the cask in which the whiskey is matured, and it may not suit our palate here, but at any rate the fact that many millions of American citizens drink that whiskey goes far to show that it is not an unpotable spirit.

3950. (*Dr. Adeney.*) Is there any material difference in chemical composition?—I have some analyses of the American whiskies which I will put in later on if you do not mind. On the average the amount of impurities or bye-products, or whatever one likes to call them, is a good deal higher than in our whiskies—in fact, it is about double.

3951. The acids are high?—The acids are high, and the esters are high, and the higher alcohols are high. While we are on the subject of malt, I have been digging on this subject into some ancient literature, and I have a book here which was published in Scotland in the year 1785, and it is obvious from a passage on page 3 of the second part of this book, which is a collection of articles, that even at that time there was a commotion as to how much malt should be used in Scotland. The agricultural party, who then, as now, I presume, was opposed to the industrial party, said this: "That the home-made spirit formerly used in Scotland was extracted from grain of the growth of its own lands, all of which being malted, and with no mixture of raw grain or other ingredients being then known, the produce was a wholesome and agreeable spirit." Then the distillers make answer to this, and they point out that it was the Dutch who taught people in this benighted country to use unmalted grain, and later on there is a reference to some bad whiskey. There is a reference to the Irish usquebaugh on pages 21 and 22. The Scotch people there suggest that the particular sample which was very bad was probably Irish, and made from potatoes. I do not suppose there was any truth in that, but it is rather interesting to know even in those days that these tales were about. That is the passage about malt on page 3.

3952. Is that all you have to say on that?—I was going to say more, but I listened to Dr. Teed's examination yesterday, and a great deal was said

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about the battle between the little stills and the big stills, so that I will not refer to it further.

3953. In your opinion, can a definition be based on materials?—I think that one could base a descriptive definition on materials, but beyond that I do not think one could go. I have here an appendix which I will formally hand in—Appendix No. 1, "Definitions of Whiskey," in which there is a large number of definitions (*see Appendix E, I*). I do not know whether it is worth while reading all those out, but I have here an official copy of the Pharmacopœia of the United States which possibly may be of interest, because in the United States whiskey is defined officially in the Pharmacopœia; it is on page 418 of the Pharmacopœia of the United States, the 8th decennial revision—that is the last copy, and it is an authenticated copy. They say there: "Spiritus Frumenti. Whiskey. An alcoholic liquor obtained by the distillation of the mash of fermented grain, such as Indian corn, rye, wheat and barley, or their mixtures." There is no mention there of the still, and they do not mention rice. Then there is a description, which I need not read.

3954. (*Dr. Cushny.*) That is not published by the United States Government, is it?—I do not know who it is published by. I think it is published in the same manner more or less as it is here—by a Committee.

3955. It is not a Governmental publication?—No, I do not think it is Governmental. This is an official copy of the Pharmacopœia.

3956. (*Chairman.*) With regard to the specimen that you handed to Dr. Adeney, is there any barley at all in that, or is it all maize?—No, they would use a certain amount of barley.

3957. Do you know what amount of barley?—I have a large number of figures here with regard to American whiskies, and I could give you some idea from that.

3958. But taking it generally, there would be a small proportion of barley malt?—Yes.

3959. The main ingredient being maize?—Yes.

3960. (*Dr. Horace T. Brown.*) With regard to the relation of malt to maize is that proportionately the same as it is in our patent still mash in this country?—I should think about that.

3961. 20 or 30 per cent.?—Something like that.

3962. And the balance all maize?—May I read you a few examples? I have a lot of tables here which were sent me by Dr. Wiley, and there are a great many more in that paper of the American Chemical Society. I have here a description of the manufacture of Bourbon whiskey. Here is one: "75 per cent. corn"—that is maize—"15 per cent. rye, and 10 per cent. of malt." Then they have 71 per cent. of corn, 27 per cent. of rye, and 2 per cent. of malt. I presume in that case probably part of the rye would have been malted.

3963. (*Dr. Adeney.*) I would suggest, my lord, that it might be convenient to take this witness's evidence in sections, and if any other member of the Commission would like to ask questions on this section it would be convenient to ask them now.

(*Chairman.*) Certainly.

3964. (*Mr. Guillemard.*) I think you said that in your opinion a definition of whiskey by reference to materials could be given. Have you given one?—No, I think not.

3965. Have you one which you would like to give?—I should merely confine myself to saying this, that whiskey is a spirit distilled from cereal grains—that is all I care to say.

3966. You would include rice in the cereals?—I think so. It is not used at present, but I do not see any objection to its use.

3967. (*Dr. G. S. Buchanan.*) Your reason for including rice would be that it might form a part of the mash. I suppose it could not form the whole mash?—No.

3968. But it would contribute something to the alcohol?—Yes, quite so.

3969. Is there anything with regard to Scotch or Irish whiskey—any one of these ingredients, barley, maize, and rice, and malt, that you would consider absolutely essential from the flavouring point of view?—I think that in Irish and Scotch whiskey a certain proportion of barley malt is essential.

3970. If you used only the minimum amount of malt that was necessary for the conversion of these grains that might be something low—18 per cent. or something like that?—You could go lower if you use long green malt as they do on the Continent, you could go down as low as 5 or 6 per cent.

3971. That would not contribute a whiskey flavour?—No.

3972. When you get up to 25 per cent. you think it would add materially?—Undoubtedly. I should say that using the type of malt which is used now in Scotland, if they wish to use a minimum they would probably employ about 12 to 15 per cent. at the outside.

3973. A good deal would depend upon the character of the malt that was used?—Certainly.

3974. You could have a malt conceivably I take it that even if you use 25 per cent. it would add very little in the way of flavour?—Yes, and you might have the reverse. Instead of a low kilned malt you might use a high kilned malt, such as we use for black beer, which would give with 5 per cent. probably as much flavour as another malt with 20.

3975. It might do that in the patent still?—Yes, certainly.

3976. If you allow any cereal grains to be used, although they do not give the characteristic flavour to the whiskey, why should you limit your materials to cereals, and why should you not go a step further and allow the sort of articles that were brought up here just now—those essences—if it is only a question of flavour? Assuming that it was possible to flavour by the essences an all maize spirit with the same kind of flavour, is there any reason why that should not be called whiskey?—I should personally object to it very strongly. In my definition—I do not want to have it regarded as a definition because it was really rather more a description, but I should personally object very much to these flavouring matters, and later on I shall have something to say on that particular subject. I do not think you could get the correct flavour with essences.

3977. Is it something a little more than flavour? You think that the definition of whiskey ought to be something a little more than flavour, do you not?—I cannot regard it as a definition. It is more a description of what I think whiskey is, and how it is made at the present time.

3978. I am not quite clear with regard to maize. Taking the pot still, does maize give a distinctive flavour to the whiskey that is produced?—I think that every grain probably gives a distinctive flavour, but I do not know that we have enough specific knowledge on that subject to differentiate very closely.

3979. You do not know whether there are any special distinctive flavours that are ordinarily attached to maize?—The distinctive character of maize is more in connection with the maize oil, and that is a very high boiling point substance and does not come over.

3980. You regard maize as distilled in the patent still process by the ordinary method as a neutral product as regards flavour?—I do not say that. I think it is no more neutral than is barley or rye, or oats or wheat. I think each of these things probably have a specific flavour of their own.

3981. There is one point I did not understand about the American whiskey in which flavour may be due to the cask. I gather that some observers had found the flavour was mainly due to the cask?—Yes.

3982. Are they speaking there solely of pot still Bourbon whiskey?—Yes. If you look at the figures you will see that they refer to straight whiskies. In America they do not make the differentiation in the same terms as we do. They do not talk of pot stills and patent stills, but they talk of straight whiskies, and their straight whiskey practically corresponds to what we call pot still here. They are distilled rather differently in fact, and a very large number of their straight whiskies they distil with live steam. They have a three-chambered still, one above the other, and the wash is put into the lower still. The three compartments are partially filled with wash, live steam is

blown into the lower chamber, and that causes the contents to boil; the vapours rise in the next chamber through a trap, and the next chamber boils, and so on.

3983. (*Dr. Bradford.*) Are we to understand that the pot still used in America is different to the pot still here?—Yes, undoubtedly. Some of them use what they call the old-fashioned fire copper, but, I believe, that is quite unusual, for most of these celebrated straight whiskies are, I believe, made with the live steam process.

3984. The pot stills in America are heated with steam?—Yes.

3985. (*Mr. Guillemard.*) What is the other still in America—the still that does not produce the straight whiskey?—They have a large variety of styles of still which they use for producing a more neutral type of spirit which is more of the type of apparatus which is employed on the Continent.

3986. Is it different from our Coffey still?—Yes; I do not think they employ the Coffey still very much in America, because they do not regard it as efficient for the production of the purer article, but they use a still which produces a much purer article. The Coffey still is by no means the best instrument for producing a pure alcohol.

3987. (*Dr. G. S. Buchanan.*) There is an enormous output in America of spirit fairly highly rectified, which is mainly flavoured and coloured?—I do not know to what extent that is so. I have heard it said it is done, but I have not sufficient personal knowledge to speak to that.

3988. What you speak of, so far as I have seen from one or two references, is what is called compounded spirit in America, a highly rectified spirit with a small amount of essences added, or added oils, or something of that kind?—I have seen it stated that it is so, but I really cannot say from my own knowledge.

3989. (*Dr. Horace T. Brown.*) You would restrict materials to cereals?—Yes.

3990. Only to those cereals that you specify, or to cereals generally?—Really I do not wish to make a restriction at all; I merely wish to give a description.

3991. You would not rule out, say, sorghum or millet?—I do not think I should be inclined to rule out any cereal.

3992. What about buck wheat? Could buck wheat be considered a cereal? Is that generally included in the term "cereals"? It is very largely used in America for certain purposes as you know?—Yes.

3993. Do you know whether it is used there at all for spirit making?—I do not know of my own knowledge. I can look up these lists to see if any buck wheat is used.

3994. Do you know any pot still distilleries using maize in Great Britain?—I do not know any of my own knowledge, but I believe it is the fact.

3995. Have you seen the whiskey produced in those pot distilleries using maize? We have had it here in evidence that a small amount of maize is used in certain pot still distilleries?—I think I have seen one, but I would not be quite sure.

3996. You do not know what the general character of that whiskey is?—The whiskey I am thinking of, and I believe it has a little maize in it, is to my palate quite indistinguishable from ordinary Scotch pot still.

3997. Is that distilled in the ordinary pot still without any rectifying apparatus?—Yes. I am not sure whether this was, or whether this particular spirit I have in my mind is made with maize, but I rather think it was.

3998. We have had it before us that there would not be a great objection on the part of certain pot distillers in this country to include maize amongst the materials for distillation if it were confined to pot stills, because they felt sure that the public taste would reduce the amount to a minimum?—I think that is nonsense.

3999. You cannot give us any positive information from your own observations on the pot still maize product?—No, I am afraid I cannot.

4000. (*Chairman.*) I really do not know what you think the virtues of whiskey may be, but what comparison do you draw according to your standard of the virtue of whiskey between the malt whiskey made in this country and the American maize whiskey?—There is a difference of flavour, and I think that is largely due as we now know to the type of cask employed, and I think it is purely a question of flavour.

4001. Do you think for all purposes of health, if it was to be used as medicine, or if used for the pleasure of drinking, that the person who consumed it would derive as much benefit from the American maize whiskey as from our malt whiskey?—I think that if that was the flavour that suited his palate he would probably derive as much benefit from it as from the other.

4002. It is not only a question of flavour, it is a question of the utility of what he consumes on his system?—I think that is rather a medical question.

4003. I was giving you credit for universal knowledge on the subject?—I do not personally think it would matter the least little bit. I think it is really a question of flavour myself. A man drinks the whiskey which he likes, and that does him most good.

4004. It is rather reducing this great question to this, according to you: if in America you cannot get the right cask to produce the flavour, which is entirely fictitious as regards whiskey, so that it will imitate the real whiskey in such a way as to make the person drinking it think he is drinking whiskey that he wants ——?—I am afraid I do not follow you.

4005. You have told us about this charred cask, and you have said that that produces the flavour?—Yes.

4006. That is nothing to do with the ingredients in the compound?—No.

4007. That flavour of the cask as regards whiskey is fictitious?—I think not, my lord. I might almost go so far as to say that new whiskey as it comes from the still, whether it is a pot still or patent still, or American, Scotch, or Irish, I think, really, one might almost go so far as to say that, as far as the consumer is concerned, that is not whiskey at all, because the character which the consumer recognises comes very largely indeed from the cask.

4008. I wanted to deal with the instance you have given of this large quantity of maize whiskey which was consumed in America, because it struck me as very important. That has no malt in it, or only 2 per cent. of malt in it. If you had that without the cask what would become of it? Would it be treated as whiskey?—I think so. It would have more of the character of our whiskey over here.

4009. Therefore, you are treating the maize as being a sufficient equivalent for our malt?—I think it produces a different article, but it is a question of different flavours.

4010. The flavour, as I understand from you, came from the charred cask?—The specific flavour of American whiskey.

4011. That is what the American people are drinking—something which has been in the charred cask but which is called whiskey?—In the same way in this country we use, for instance, sherry casks and plain casks from which also material is extracted which gives flavours.

4012. Is this use of the charred cask in America pretty general?—Absolutely universal.

4013. That is not so here as regards sherry casks?—No, sherry casks are not universal here. I suppose the amount bonded in sherry wood is probably less than that bonded in plain wood.

4014. I suppose the malt pot still whiskey would not require a sherry cask to add to its bouquet?—On the contrary, I think it is preferred, because a sherry cask, I have heard and believe, has something in it which tends to make the whiskey mature more quickly.

4015. Perhaps it softens it?—It matures more quickly than in the ordinary cask, and apparently that is not due merely to the sherry. Apparently the sherry wood has some specific influence on whiskey which causes it to mature more quickly.

4016. Is that apart from flavour?—Yes, I think you will probably find that confirmed if you ask questions on the subject from any blenders.

4017. (*Dr. Adeney.*) In your description of the materials I take it you include malt?—Yes, certainly.

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4018. Is there any malt in the spirit sold in America as we understand it in this country?—I think it is not that type of spirit at all.

4019. Is there any blending of this straight whiskey with rectified spirit?—Yes, a great deal.

4020. With regard to this sherry cask. I believe if you take the sherry cask as compared with plain wood the composition of the whiskey age for age between the two is very different?—Yes, I think so, undoubtedly. The positive information we have of it is not so full as it might be, but there is some information on the subject in my second paper on the "Chemistry of Whiskey." I do not think there is much doubt about it.

4021. Now we will go to the next section of your proof, which is headed, "With regard to the restrictions on processes or apparatus." Speaking generally, do you think that any restrictions regarding processes or apparatus are desirable or necessary?—I think not. I think, in my opinion, as I have already said, it is really a question of flavour. There is no question of public health. I think that has been admitted all round, and there is no question of whiskey being a food product—that is to say, it is not comparable to articles such as milk and butter. I will refer to that presently. The whole question, after all, amounts to this: Here we have a certain spirit, patent still whiskey or patent still spirit, call it whatever you will. Some people say that has a right to the name of "whiskey," and other people say it has not a right to the name of "whiskey." The whole thing amounts to this: Has that particular type of spirit the right to a particular name? There is no question of health or food, and no other question whatever. I think under those conditions it would be a very retrograde step (I have considered this question very carefully) to make any restrictions on processes or apparatus, because, after all, it is a purely manufacturing operation. Whiskey is not a natural product like milk or butter; it is a manufactured product, and it seems to me as long as there is no question of health and no question of food value there is no question of fraud. I know that possibly here my opinion may differ from others, but, at any rate, it is not the same question as it is in the case of milk. That is a simile which is a very bad simile, because milk is a natural product, and even though there may have been at one time no statutory method of dealing with the watering of milk, I do not think any honest or decent persons would ever have thought or considered that the watering of milk was a proper operation. I cannot speak legally, but it seems to me that the intent is a very great factor in these matters. There was always an intent to deceive when milk was watered, and there was always an intent to profit by it. In the case of patent still whiskey, whether it has the right to the name of whiskey or not, it was always manufactured openly, it was manufactured under the eyes of the Excise, and if it had been in any way comparable to the watering of milk, surely it would have been stopped. I think in the one case there is no doubt that it is an immoral thing—obviously an immoral and unethical thing; in the other it is just a question of opinion.

4022. Suppose in the development of processes it were possible to employ as a material molasses or cane sugar, what would you say of the spirit that came from that? Would you still allow that to be called whiskey? Would you expand your description so as to include that?—I do not think that from molasses you would ever really get the type of spirit that would go very well as whiskey.

4023. Would it not be fair to the trade to demand that it should be called by another name than "whiskey"?—If it did give a different flavour?

4024. If it were possible to use molasses in the manufacture of whiskey by improved processes?—Personally I should rather object to it.

4025. Do not you think it would be fair to the trade to demand that it should be called by some other name?—I think so in that case. At present I would certainly very much object to molasses spirit being called whiskey.

4026. What are the scientific and technological aspects of restricting distillers to a particular form of apparatus?—I think I have answered that.

4027. Are there any differences scientifically and technically in the operation of the pot and patent forms of stills?—I think not. Taking it broadly I think there is no difference. I have dealt with that rather fully in a paper on the distillation of whiskey, appearing in the Journal of the Institute of Brewing in 1906, and I think I referred there pretty fully to the similarity between the two processes.

4028. What are the passages you refer to?—On page 505, I say: "Regarded from a technological point of view, it is clear that the Coffey still accomplishes in a single and continuous operation that which requires a series of intermittent operations by way of the pot still, and that it has the advantage over the latter in the matter of economy of heat. Separation, rectification, and concentration are the objects of both forms of distillation, and the processes indeed, notwithstanding the widely different forms of the apparatus employed, are in many respects curiously similar. The analyser corresponds to the wash still of the pot still process, the rectifier to the low wines or spirit still. A liquid corresponding to the low wines of the pot still may be obtained (and is obtained at the sampling stage, as a matter of fact) by tapping the low wines vapour pipe D. The 'ether' obtained from the top of the rectifier corresponds to the foreshotts of the pot still process, and the 'hot feints' of the 'patent' still to the feints of the older process. Moreover, feints are run directly, as has been stated, at the beginning and end of the distillation period." In the patent still they run feints at the beginning until the still steadies itself, and at the end the still is growing very weak. I think that really, in principle, these two forms of still accomplish more or less the same thing, but in a different degree. I will hand in a copy of this paper formally. (*See Appendix F.*)

4029. I should like to ask you, can the whiskey of the pot still type be made in a patent still?—Do you mean in a Coffey still?

4030. Yes?—I may say this, that I have seen samples of spirit made with peated malt in a Coffey still, and the peat flavour was very strong, and it was indeed very similar to a pot still whiskey. I do not think it was a perfect pot still whiskey, but my view of that matter is just this, that the Coffey still was never designed to produce a pot still type of whiskey, but I think that even at the present time if the distillers were put to it they could by altering the Coffey still probably produce something very analogous to a pot still whiskey. But I have always held, and for once in a way my prophecy has been right, that if one were put to it to produce in a single operation in a single still a whiskey of the type of the pot still whiskey, it could be done, and it has been done. I will now, if you will permit me, show you samples of this whiskey, and also refer to the analyses, and particularly this whiskey which I put in under the heading: "Continuous still. Appendix No. 2." (*See Appendix E, II.*). I would like first of all to show you a drawing of this still. This is the working drawing of a still in which a whiskey of the pot still type absolutely similar to Highland malt is produced in a single operation.

4031. You would not call this a patent still?—I should call it a patent still, but it is not a Coffey still. The operation is more or less the same.

4032. A continuous operation?—Yes. The wash is run from the wash charger to this wash heater. This wash heater is heated by the spent wash first of all which comes from the still through this pipe, and secondly by the waste steam which is used for heating the still. From the waste heater the waste rises to about *this* point in the column.

4033. (*Chairman.*) By what force?—By gravity. The wash charger is higher. It rises to *this* point in the still, and this column *here*, into which it falls, is to all intents and purposes the same as the analyser in the Coffey still. It then falls down in the same manner as in the Coffey still, and is heated by the steam coil. At the beginning of the operations a certain quantity of water is put into this still, and it is boiled up, and that practically corresponds to the steam in the Coffey still. They do not want to start the apparatus dry. I do not know that there is anything more to say about that still except that it runs very little foreshotts—in fact, only a very few gallons until the still steadies itself. After that it runs whiskey continuously until the wash is exhausted.

4034. Where is this still working?—I will show you the samples presently, my lord, which have labels upon them, but I should not like to state it publicly.

4035. (*Dr. Adeney.*) Have you any objection to handing in a copy of that drawing?—I am afraid that is the only working drawing the distiller has, and without his permission I should not like to do it; but I dare say he would have a copy made for the Commission.

4036. It would be a great convenience if we had it?—I am quite sure he would allow a copy to be made for the Commission, but I cannot hand it in without his permission, because this is the only working drawing of that particular still. Now, if you will permit me, I will show you a sample of the whiskey. By removing this band and this envelope on the bottle you will see the name of the distiller, and if you go up to Scotland you might be able to see it yourself, or in any case you will be able to have confirmed what I say through an official source. I will pour out a sample from this bottle and dilute it for you. Of course, this is a new spirit.

4037. It requires maturing?—Yes.

4038. (*Dr. Horace T. Brown.*) What sort of mash was this made from?—Pure malt.

4039. (*Chairman.*) It is entirely a question of process you are on now?—Yes, my lord.

4040. (*Dr. G. S. Buchanan.*) I will not take off the label, but for the purpose of having it on the Notes you might tell us whether this is an old established still that has been going on for some years?—Oh no, it is a new process, and it is still experimental. It is about the size of 500 gallons.

4041. (*Chairman.*) Is it more economical to work in this way?—Undoubtedly. You would use less coal and less labour. Then with regard to the figures I have put in in connection with that still, I have given first of all an analysis of the spent wash. The total of the volatile impurities in the spent wash is 129·4, which is using the oxidation process of Allen-Marquardt.

4042. (*Dr. Adeney.*) That is per 100,000 of the liquid?—That is per 100,000 of the liquid. I leave the non-volatile acids out of the question. I think we may take it roughly that the amount of whiskey is about one-tenth of the volume of the original wash. If we assume that the whole of those bye-products were to go into the whiskey, of course we must multiply the figure 129 by 10. I think that is a logical process of reasoning which would make the bye-products in the whiskey about 1,300. I have got analyses then of the foreshotts and of the new whiskey, and you will see, I think, that it corresponds chemically, as well as to the nose and flavour, entirely to a Highland malt type of whiskey. Then I give more figures on the second page of the table.

4043. Would you describe a little more fully how you have dealt with those figures?—"Analysis of foreshotts and whiskey. Note.—There is only a very small quantity of foreshott run. No feints are obtained, for after the still has steadied itself it runs whiskey continuously until the wash is exhausted." Then I give the analysis of the foreshotts in parts of 100,000 of absolute alcohol and also in bulk of liquid.

4044. (*Dr. G. S. Buchanan.*) May we have a copy of these figures handed in, so that they may go upon the notes?—Certainly. Then I also, in addition to the Allen-Marquardt oxidation method, employed Dr. Teed's process. I call it Dr. Teed's process, although he has not contributed anything to the literature on the subject, but there are so many varieties of this colorimetric process that I desire to show that this is the particular variation of the process which he uses as described by him. In that case I got a figure in the foreshotts for higher alcohols of 204, and in the whiskey of 160. Leaving the foreshotts out of account, as the amount was small and the actual quantity was not known, it will be seen that bulk for bulk roughly eight times as much of the impurities—I use the word "impurities" because it is the shortest of all these expressions—are eliminated in the spent wash as passed into the whiskey. Then I give comparative analyses of the continuous still manufacture of two different periods and the ordinary pot still working at the same distillery.

4045. (*Dr. Adeney.*) And the same materials?—Oh, yes, it is malt throughout. You notice, first of all, the great similarity in the product in the continuous still in March and also in February. In fact, that is the great difficulty; you have to get at the right figures from the same distillery. Then you notice, with regard to the ordinary pot still, at that same distillery the figures are slightly different; the higher alcohols are slightly higher and the aldehydes are about the same. The esters are slightly lower. The total acids are about the same, and the furfural is rather higher. Then I go on, and I also give the higher alcohols by Dr. Teed's method—namely, 160 under the continuous still in March, 132 in February, and 153 in the ordinary pot still. Then lower down I go on to compare the product of the continuous still. I should like to make this one remark that that whiskey which I have passed round to the Commissioners not only is like a Highland malt whiskey, but I am giving not only my own opinion (I have considerable experience of taste), but the opinion of very competent men, that it is not only a type of a Highland malt whiskey, but it is similar to a particular variety of Highland malt whiskey, namely, the Speyside whiskey, and more than that it bears a curious resemblance to a particular Speyside whiskey.

4046. (*Chairman.*) Does Speyside include Glenlivet?—Practically. It is a little bit off the Spey, it is really in the Valley of the Livet, but I think that is rather a distinction that is scarcely made nowadays. The Glenlivet whiskies have more or less the same character as the Speyside whiskies proper, but the point I want to make is this, that it is very remarkable that the analysis of this continuous still whiskey is extraordinarily like an analysis of a new sample of this particular Highland malt distillery to which I am referring, and the flavour is also very like it.

4047. Where would be the centre of the Speyside distilleries?—About Dufftown, I should say. I do not want to make that a definition, but I think that is practically what it comes to. I have here a sample of this other Highland malt which is so very like this continuous still.

4048. What is this?—This is the particular Speyside whiskey which is so very curiously like this continuous still.

4049. (*Mr. Guillemard.*) Is that new too?—Yes. In judging of these things one wants to be something of an expert, because taste is rather a misleading thing.

4050. (*Dr. Adeney.*) Can you hand in an analysis of that?—Yes, it is side by side with the other one.

4051. (*Chairman.*) What is the result of those two?—One has been standing some time now, and the other has been just poured out afresh.

(Adjourned for a short time.)

(*Witness.*) There is one correction I should like to make about the continuous still. I said that sample that I handed in was new. It is not absolutely new, it has been in wood a month.

4052. (*Dr. Adeney.*) Was the old pot still sample also a month old?—No, but the one I showed you to compare with it. The old pot still sample was new: that had not been in wood.

4053. We have had evidence before us to the effect that the impurities in the pot still distillation process are retained, as it were, within the process?—Yes.

4054. Do you agree with that view?—No, I do not.

4055. Do you agree with the view that there is anything eliminated in the patent still which is retained in the pot still?—No, I think it is only a question of degree.

4056. Can you give us any experimental data in reference to this question?—Yes. I should like, in the first place, to refer again to my paper on the distillation of whiskey in the Journal of the Institute of Brewing. You will find it at page 506 and the following pages. I give particulars of an examination of a series of products from a pot still distillery—a Scotch distillery I need hardly say, where I have taken the actual figures of the amount of the wash still charge, the low wines still charge, and the pot ale and spent lees. I have examined the pot ale, spent lees, the low wines and then the mixed feints and foreshotts, whiskey, and foreshott only.

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4057. You hand these in?—Yes. (*See Appendix F, II.*)

4058. Will you give us briefly the results, the conclusions you have come to?—The conclusions I have come to briefly are these: that roughly 63 per cent. of the total volatile products of the wash, apart from the alcohol and the water, are directly eliminated, that is to say, in the spent lees and the pot ale, and of the 37 per cent. which are retained, that is to say, which pass over ——

4059. In the distillate?—Yes, in the distillate only about 10 per cent. actually pass into the whiskey, the remainder passing into the foreshotts and the feints. Then I have in the appendices 3, 4 and 5 some further data.

4060. You hand those in?—Yes, I hand those in. (*See Appendix E, III., IV., and V.*) I do not know whether you wish me to go through any of these.

4061. Will you give us any conclusions which you think are important?—The first appendix is headed "Analysis of products of one distillation of a Highland malt distillery." There the total coefficient in the spent wash amounted to 111, and in the spent lees to 162. If one wishes to compare those figures with the whiskey the spent wash figures must be roughly multiplied by 10, and the spent lees by 2. I think that that is a fair general comparison of the volumes.

4062. You have arrived at that from your own observations?—Yes; I am taking the ordinary methods of distilling. Of course, they vary a good deal at different distilleries; at some distilleries they are running a good deal more feints than another distillery. At one distillery they will run their whiskey a little bit higher than another.

4063. You mean by that, that the alcoholic strength is higher?—Yes. I give the analyses of the mixed low wines and feints of the particular distillery in question, and I have here samples of these mixed low wines and feints of the particular distillery there described. I think you would rather like to see those. They are 63 under proof.

4064. Is that the usual strength for low wines?—Yes; say about 55 to 66. It is usually nearer 60. That is about the usual strength for a Scotch distillation. One has a large volume of wash, and you cannot get a high alcoholic strength in a single operation in a pot still.

4065. What is the usual alcoholic strength of the wash?—I should think it varies from 5 to 7 per cent.

4066. Of absolute alcohol?—Yes, something of that kind, absolute alcohol. The gravity is about 55 to 66, I think, in an ordinary pot still distillation, or something of that kind. Then I give an analysis of the whiskey obtained in this particular case of this particular Highland malt whiskey which, analysed by Dr. Teed's method, gave a total of 253. Then some interesting observations were made in connection with the mixed low wines and feints. The acidity and the ethers were determined directly and also after distillation, and it was found that the total acidity by direct titration was 68, and after distilling the acidity of the distillate was found to be 115.

4067. (*Dr. Horace T. Brown.*) Made up to the same volume, or rather made up to one original volume?—No, both of these are made up to 100,000 parts of alcohol. In the same way the ethers determined without a preliminary distillation were found to equal 109, but after distillation 77. These results very clearly indicate the hydrolysis that takes place by simple distillation by ordinary fire heat and not by live steam.

4068. (*Dr. Adeney.*) That is to say, the hydrolysis does take place in the pot still?—Yes, and I think if you refer to Dr. Bell's evidence before the Select Committee he shows the same thing.

4069. (*Dr. Horace T. Brown.*) How do you determine the ethers without a preliminary distillation?—In this case the liquid is colourless. There is no extract, therefore you can neutralise directly and then run in an excess of alkali. I think that is a fair way of doing it. In this case, also, a simple calculation shows that the quantities of impurities eliminated in the spent wash and in the spent lees (I am leaving aside the foreshotts and feints for a moment) is roughly 10 times as great as that passing into the whiskey. At the distillery in question 100 volumes of mixed low wines and feints yield roughly: Foreshott 7 per cent. (30 over proof), whiskey 20 per cent. (15 over proof), feints 30 per cent. (55 to 60 over proof)—that must be under proof.

4070. (*Dr. Adeney.*) That wants correcting in these?—Yes, it wants correcting in the appendix. And then 43 per cent. of spent lees. Then I give analyses of the residues from an Irish pot still distillery. I do not know that there is any need to particularise those; they practically come to the same thing.

4070*a*. You have handed those in, and they support the calculations which you have stated?—Yes, entirely. Then I give particulars in Appendix 5. There was some discussion, I think, before this Commission as to the actual methods of distillation, and I give there a few samples of actual distillation at Scotch and Irish distilleries which are for the information of the Commission. I do not think there is any utility in going into them.

4071. No, I do not think so?—While I am on that subject I think you will permit me again to refer to this paper, in which I have shown how and why it is that the theory that no elimination takes place is quite impossible; it is a mathematical impossibility, and unless my mathematics are quite wrong (I think it is a matter of simple arithmetic merely), I show there that it is absolutely impossible that no elimination could take place, and leaving aside mathematics, and leaving aside chemistry, I think it may be very simply put in this way: Why should the pot still distiller run foreshotts, why should he run feints, and why should he go to the trouble of running his whiskey at a higher proof than he bonds it at if nothing is eliminated which he does not desire to eliminate?

4072. You do not agree with Dr. Teed?—No, I am afraid I do not.

4073. Not on that particular point?—No; I think it is simply a rule of three sum. I have gone into this question here, and have taken the amount of stuff eliminated in the foreshotts and feints. I have worked it out, and I have found that: "At the end of the season we should, on these lines, be dealing with a spirit still charge containing something like 7 to 8 per cent. of impurities. As the contents of the feints receiver are kept at the end of the season until the beginning of the next, it is obvious that if the traditional theory were correct we should at the end of a few years be distilling feints and foreshotts containing 100 per cent. 'impurities,' and no alcohol at all, and that operations would then necessarily come to a stop, inasmuch as each succeeding distillation would necessarily increase the volume of feints and foreshotts so rapidly that a fresh receiver would be required every few weeks. The above is merely a *reductio ad absurdum* of the theory that 'nothing is removed in the course of pot still distillation.' It is quite evident that distillation could not be carried out on these lines, as the increasing quantity of 'impurities' in the feints would speedily make it impossible to separate any 'whiskey' fraction at all."

4074. Would you give us the reference to that?—It is pages 508 and 509. While I am on that I might perhaps indicate how these impurities come to be eliminated in the foreshotts and feints. Of course, it is plain how they go away in the spent lees and spent wash; it is not there a question of opinion, but it is a question of pure fact. I have here some foreshott. I think these are actually the foreshotts which were examined here which have been preserved in bottle. You will see the character of that foreshott is rather different to whiskey, even if the analytical figures should be more or less the same. You have a large quantity of aldehyde. When I say large, I mean compared with the amount of aldehyde which you could get in whiskey. Of course, the amount absolutely is small. On the other hand, you have a vast quantity of air and water with which it comes in contact, and the result is that part of that aldehyde is oxidised to acetic acid. Acetic acid is much less volatile than aldehyde, and the result is that at the next distillation that which was originally aldehyde passes out in the spent lees in the shape of acetic acid.

4075. And is lost in the process?—Yes. In the same way your esters get hydrolysed in each distillation, and also during the sojourn in the feints.

receiver esters are formed, and no doubt you have inter-action proceeding, and other inter-actions between some of the other bodies there. Then another point is this: all these figures which we give here are really merely approximations to the truth. These quantitative figures do not show qualitatively what these substances are. Even if the analyses of the foreshotts and feints and whiskies were the same it would still not show that there was no elimination, because although they may be quantitatively the same, they might be qualitatively different. I think it is obvious that the pot still distiller, who is conservative, does not run his foreshotts and feints, and he does not adopt the process which he does for the purpose of amusing himself. There is certainly something there which he wishes to eliminate.

4076. Have you anything further to add as to the extent to which elimination takes place?—I think that putting it as between the pot still and patent still, roughly, one might say that in the pot still 90 per cent. is eliminated, and in the patent still 95 per cent.—I am putting it roughly. I think it is not a question of opinion, but it is a pure question of fact. I think an examination of a series of samples from any pot still distillery will show the same thing as I have shown here.

4077. Are there different kinds of pot stills to your knowledge?—Yes, undoubtedly, the pot stills in the Highlands, when one goes into the question superficially, appear to be very much like one another at a superficial glance, but when one goes into the question more closely one sees that the variations which one does observe, are rather more important than one would gather. I have here a sheet of drawings which are merely rough sketches which I made some time ago. They are not to scale, but they show some of the forms of the Scotch pot stills; they are rough indications of shape. (*The same were handed in.*) Then the head of the neck of the pot still alone has an enormous influence.

4078. You mean the height of the neck?—Yes. I have known a case where a distillery was making a whiskey which was not what was desired. There were a lot of experiments made; finally, a couple of feet were cut out of the height of the head, and they made entirely different whiskey simply by the cutting out.

4079. The head was lowered?—Yes. Then there are, of course, many stills both in the Highlands and Lowlands (I know of half a dozen myself), where they use a rectifying box. I have here a drawing showing roughly a rectifying box. Here it is much larger than it is because it is not to scale. They will show you what happens, and the effect of that is roughly presumed to be the same as the line arm in the Irish still. I may say that these rectifying boxes are used not at distilleries making a common class of whiskey, but some of the very highest class distilleries.

4080. Producing self whiskey?—Yes. I have a list here giving the prices of new whiskies. It is a chart from the "Wine and Spirit Trade Record." I should like to mark on this one particular whiskey which has that form of rectifying box, which I think will be recognised by anybody as being a very high class malt whiskey. I should like you, if you would, to have that confirmed through an official source. I will mark that particular one and hand it in. You will see that it is a very high class. I ask you kindly not to refer to this. I should like you to have that confirmed through an official source. Then if I might come to the Irish pot stills, of course when one comes fresh from the Scotch pot still to the Irish pot still, one is really amazed. I thought before I had seen them the Irish stills were perhaps a little larger, but I really did not know of the enormous difference between the Scotch pot stills and the Irish pot stills. I have here a sketch of an Irish pot still, which is also reproduced, by the way, in this paper on the distillation of whiskey.

4081. Will you give the reference?—It is on page 499. I have no doubt that the distiller, in the design of this still, had not in his mind any question of chemical fractionation, or anything of that kind, but the result is the same. I think any chemist looking at this apparatus cannot come to any other conclusion than that it must be so. In fact, it is rather an efficient form of rectification, because it is practically what we call a dephlegmation. You have a partial condensation at a constant temperature, which you can vary according to conditions. I should like to examine the products that come back from the return pipe from the line arm but I have not been in a position to do so. I am now speaking from my own observation of a huge pipe of about 30 feet long surrounded by water.

4082. Is that cold water?—I presume at the start it would be cold, but it would not be quite cold, as it gets fairly hot, but even when it gets pretty hot we still have the dephlegmating influence. I think at one distillery I saw a return pipe from the coil as well.

4083. You observed that yourself?—Yes, I have seen that at one distillery. I will put that sketch in. That is a sketch of the Irish still. I wish to make it perfectly clear that I am not reflecting in any way on Irish whiskey. I do not think it has anything to do with it. They make very fine whiskies, and it is because of that apparatus that they make them.

4084. (*Dr. Horace T. Brown.*) Would that be called the ordinary line arm?—Yes, that is the ordinary line arm. Then I have here another drawing of a sample pot still made for an Irish distillery which has a head 40 feet high. I leave it to the chemical members of this Commission to imagine what kind of fractionation you will get there.

4085. (*Mr. J. Y. Buchanan.*) Was the head exposed to the weather?—Yes, partly. Then I have here some photographs that I might show to the Commission. Here is a distillery with pot stills and the rectifying boxes actually working. I will not put them in formally: they are merely for your information. I have some photographs of a pot still plant, but it is not quite relevant to this particular section. I will leave that for the present.

4086. (*Dr. Adeney.*) I think you can hand in analyses showing the different effects of these pot stills?—Appendix 6 shows the comparative analyses of pot stills at the same distillery working with and without a purifier. I may as well say I have made a mistake, and that the heading should be altered. The column headed "Ordinary Pot Still" should be "Pot Still with Purifier." That is in Appendix 6: "Comparative Analyses of Pot Stills at the same distillery working with and without purifier." I should have said, "of the spirit of pot stills." The correction I wish to make is a correction in the headings. It was a slip of my own in drawing out the figures, and the columns are reversed. That is the only change.

4087. You hand in those figures?—Yes. (*See Appendix E, VI.*) I think they are of some interest. I do not know that they are absolutely comparable, because the spirit would be changing from second to second; but you see in one case you have a far larger amount of impurities than in the other, and a far larger amount than in the still with the purifier. That is natural enough because you get more volatile products in greater number to start with.

4088. In what class of pot stills are purifiers?—They are employed both in the Lowlands and Highlands making the very finest whiskies. I might refer again to that particular whiskey and I know of several others. I think I know of half-a-dozen myself where they are employed; they are whiskies well recognised as pot still malt whiskies. There is no question of that, and it is not a case similar to that mentioned by Dr. Teed this morning, where a Coffey still is used, and it is classed as a Lowland malt whiskey.

4089. Are all Scotch pot stills heated by naked fire?—No. I know of quite a number myself. I suppose I have been in about 30 pot still distilleries in Scotland, and I think I know five or six personally where they use steam jackets, or steam coils. While I am on that point might I say this: that we have heard something about the burning products which we get from the still. I do not think those products to which we allude as the burning products are produced by burning at all. Sometimes in the case of pot still you get what is known by the distiller, or in the trade, as a singed, or burnt, whiskey. Now that is quite a different thing from an ordinary whiskey in which you have the ordinary impurities. It has an actual taste of singeing, or burning. On that point, as on a great many others, I have had to modify my opinion. We all thought at one time that the furfural was due to a kind of fire action on the contents of the mash, but I have had to give that up entirely because there is one distillery where I made experiments which

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was fitted with a steam jacket on both the wash still and the spirit still, and the analyses of that particular whiskey come out just about the same as the ordinary analyses. I think I refer to it in my paper on the Chemistry of Whiskey, part 2, under the Lowland malts. It is in the tables on page 11, under Lowland malts, No. 26. There are three analyses there from that distillery, 26, 26*a*, and 26*b*. That is a distillery at which steam jackets are used both on the wash still and the low wines. I think if you look at those you will see that there is nothing really to distinguish them from the other whiskies.

4090. They are good flavour whiskies?—Yes. If you wish I could give you in writing the name of the distillery. If you wish to have it confirmed officially I can give you the name in writing.

4091. That is scarcely necessary.

4092–3. (*Mr. J. Y. Buchanan.*) What would be the temperature of the steam in the jacket?—I think about 30 lbs. pressure.

4094. (*Dr. Adeney.*) Could you tell us in what respects the Coffey still is economical as compared with a pot still in operation?—It is economical, to begin with, because the process is a continuous one; it is not intermittent, there is only one operation, and the result is that you do not have to heat up your materials twice. In the case of a pot still you have to heat up your wash, and then heat up your low wines. Then, secondly, there is greater economy of heat owing to the fact that the vapours that come over are used to heat the wash; and thirdly, it is on a much larger scale, which means economy as regards labour, and so on.

4095. (*Dr. Horace T. Brown.*) I think the most important point we have had from you is connected with the fractionation of the pot still. We wanted some information as to whether there was any fractionation in the first instance; and secondly, to what extent that fractionation took place. As regards the figures you have given in the Institute of Brewing paper, which I have carefully examined, I think you have made out a case for the fractionation. I am not equally certain about some of these figures that you have handed in in the appendix. We have not had time to work them out. Now with regard to this paper of the Institute of Brewing, did you attempt in the first instance to ascertain the amount of bye-products in a sample of the wash by distillation in your laboratory?—No, I did not do that. My reason was this: that the wash is a pretty complex mass, and contains a lot of solid matter, and so on, and it occurred to me, after all, I could only do in the laboratory very badly what was done in the distillery very well. It is a well known thing, with which I think you will agree, that industrial operations are very difficult to carry out in the laboratory. I thought, therefore, that by distilling wash in the laboratory I should not really get good results.

4096. I do not mean you should attempt to go through the whole process and make an analysis of the fractions which you get in the laboratory, but I want to know whether you actually determined the amount of these substances in the wash in the first instance?—No. I have never actually done that. I have examined the wash frequently.

4097. With regard to the actual amount of impurities produced you have determined those from the amount left in the spent wash, the amount left in the spent lees, the amount left in the foreshotts, and the amount left in the whiskey?—Yes.

4098. Taking a note of the various volumes of these separate portions?—That is so.

4099. You have not been able to put that in the form of a balance-sheet, as it were, have you?—No, I have never actually started from the wash.

4099*a*. Can you tell us how you determine in the spent wash and in the spent lees the actual amount of residual higher alcohols?—In the case of the spent wash and spent lees, of course I knew at once that they must be very dilute liquid, and that therefore we must take a much larger quantity for the estimation than we would in the ordinary whiskey, and whereas we are content with, say, 100 cubic centimetres in the case of ordinary whiskey, we took—I think it was 300 or 500 in the case of spent wash and spent lees. I think Dr. Teed takes 20 cubic centimetres by his process, and that may possibly account for the fact that he occasionally has not found anything. He only takes 20 cubic centimetres, and he will correct me if I am wrong. When you are dealing with such a very dilute solution as spent lees or spent wash you must obviously take much larger quantities. Those were distilled first of all with naked flame and then with steam, so as to get over the higher boiling point bodies with ease, and to make sure you got them without burning and without any secondary reaction of that kind. Then the liquid was made up with brine in the ordinary way, and was extracted with carbon tetrachloride, as in the Allen-Marquhardt process. In the case where the colorimetric process was also used they were first diluted up to 50 per cent. of alcohol.

4100. You distilled practically to dryness?—No, I rather avoided that, and used steam.

4101. Did you add a further amount of water from time to time?—No, I used steam continuously.

4102. Until your distillate gave no further traces of the higher alcohol?—Yes.

4103. The amount of higher alcohols you found in the wash was 50 parts per 100,000, or rather more, and I think Dr. Teed found in some cases about the same amount in spent wash?—I should think 50 parts would be rather high myself.

4104. Have you found them, as a matter of fact?—I do not know that I ever found anything quite so high as that. You have to multiply it by ten if you convert it into whiskey. I think I found something approaching that. I do not know that I ever got actually quite as high as 50. I have one here 54.

4105. Let us take 50 for the purpose of argument. Supposing the whole of the 50 were thrown upon the alcohol originally present in the wash, what would that represent? I was trying to work it out yesterday, and it seemed to me that it would amount to something like that. Then, of course, you have to decrease, in the first instance, the 50 to about 33 to correspond with the diminution of volume due to the fact that you have a lot of water in the alcohol that has come over?—Yes.

4106. That 50 becomes 33?—Yes.

4107. May we take it that the wash itself before distillation would contain at the outside 6 per cent. of absolute alcohol?—Something of that kind.

4108. That, I think, would bring the higher alcohols expressed per 100,000 of the original alcohol in the wash to about 550 parts per 100,000?—Yes, that is about it.

4109. What did you estimate was the amount of those bodies present in the wash before distillation, all told?—In the wash?

4110. Yes, before distillation. This is the residual. What do you maintain has come over into the foreshotts, whiskey, and feints?—About 10 per cent., I should think. The amount that passes out. I have calculated it together in the pot ale and spent lees. I do not think I ever calculated it out in that way. If you take your whiskey having 300 parts, say, that would be 150 parts for the liquid, then your whiskey fraction would be about one-tenth part of the volume of the spent wash. I think, perhaps, one could work it out in that way.

4111. The point is this, do not the higher alcohols of the original wash bear a higher proportion to the ethylic alcohol of the original wash than they do in the finished whiskey—a larger proportion than occurs in the finished whiskey?—I think there is no doubt whatever about that.

4112. So that there is considerable fractionation there to start with?—Very great.

4113. You maintain broadly that there is very considerable fractionation going on in pot still distillation?—I think there is not the slightest doubt about it. Regarding it from a purely theoretical point of view, I think there must be.

4114. When you have a certain amount of bodies rejected in the foreshotts, and a certain amount of bodies rejected in the feints, and these are all returned into the subsequent distillation, it is very difficult for a chemist to accept the view that there is no accumulation going on which would not ultimately stop the whole process if it were carried far enough?—I think there is no doubt about it that all

of us, when it was the fashion to think there was nothing eliminated in the pot still, took it for granted, but when one did go into it the absurdity of it became apparent.

4115. Have you any positive proof that when the aldehydes are oxidised to acid in the process, you get a large quantity of relatively non-volatile acid in the spent lees? That must come from somewhere?—I have never actually followed the aldehydes in any particular run. That is a very difficult thing to do.

4116. You further remark that there is hydrolysis of the esters in the pot still process just as there is in the patent still process?—Yes; there is no doubt about that. There are some figures on the point in this paper of the Institute of Brewing, and also there are some further figures in my appendices. I do not wish to rely upon other people, although I certainly do pay some attention to the literature of my profession, but if you will follow that, Dr. Bell, before the Select Committee, points out the same thing. On page 509 of my paper in the "Journal of the Institute of Brewing" I say: "Hydrolysis of ethers by simple distillation (results expressed in parts per 100,000 of actual liquid). Spent lees 40·4 before distillation, 28·6 after distillation; low wines, 70·8 before distillation, 62·9 after distillation; whiskey, 86·5 before distillation, 81·5 after distillation; foreshott, 396·8 before distillation, 368·2 after distillation." From that you will see they contain appreciably less ethers after distillation than before distillation. I may say I have confirmed that over and over again in the laboratory where we have had a new whiskey without any colour and without any extract. I have determined it both before and after distillation, and we have always got it less, and always got the acids higher. That has led me, as a matter of fact, not to estimate the volatile acid in the spirit by the distillation, but to do the total acid and then the residual acid, and take the volatile by the difference.

4117. Is that a perfectly safe way, do you think?—Yes, I think so.

4118. Do you think it is beyond criticism?—It is not, perhaps, beyond criticism, but I think it is better than the other. In the same way I estimate the alcohol in spirits containing only tenths of one per cent. of solid, not by a distillation, but by taking the gravity of the alcohol, and then allowing for the obscuration. The obscuration is so slight that it amounts to nothing practically, but you get a safer figure. If, however, you distil such a volatile liquid as alcohol you are bound to get some slight loss.

4119. You say there is no difference in principle between distillation in the pot still and distillation in the Coffey still?—I think not.

4120. But in the Coffey still you have the removal of some of the products in a visible and tangible shape?—Yes, in a Coffey still the products are removed in a manner visible to the eye and in the pot still not visible to the eye. I think it is that which has led very largely to the view that in the pot still nothing is removed and in the patent still (the Coffey still) relatively more; but then you desire to do so.

4121. I suppose your views have undergone some modification since you began this work. We were talking yesterday about an article, which I think is signed by yourself, in the "Encyclopædia Britannica," on Spirits, dated 1902, where your views seem to be scarcely in accord with those you hold now. I have no doubt you will be able to give some explanation of that?—Yes, I do not think I necessarily agree with the interpretation which Dr. Teed placed on what I stated in that article, but I really do not think it is worth while arguing about for the simple reason that the article was written in 1901, and as the result of my scientific and other investigations, all of which have been made since those articles appeared, I have entirely altered my view on the matter referred to. I do not mind admitting it for one moment. I think a scientific man is entitled to alter his views on subjects as he gets more information and does more work. I do not mind admitting that at one time I held fairly strong pure malt views.

4122. When did you begin to work specially on the chemistry of whiskey?—I began to work specially on the chemistry of whiskey, I think, in about the year 1899 or 1900. I might point out that Dr. Teed has not referred to my later scientific publications, in fact. I think Dr. Teed does not care to read the literature on the subject, and does not care to speak to other people on the subject, but relies entirely upon himself. That is a matter entirely for Dr. Teed, but I should like to point out, as he lays particular stress upon the articles in the "Encyclopædia Britannica," that I have written a series of articles for the next edition of the "Encyclopædia Britannica," the 11th edition, which is not yet published. I may, however, say that these articles were written and sent in before this Commission was appointed, and I have, in view of the copyright of an unpublished article, obtained the special permission of the proprietors and editor of the "Encyclopædia Britannica" to read to the Commission extracts from the new article.

4123. Is that necessary? I suppose they embody your present views?—There are one or two passages which, if you think it is necessary, I will read. I have put them in my *précis*, but there are one or two matters which I think might be interesting to the Commission.

4124. Some new facts or new views?—Yes, new views. First of all, under the article "Whiskey" I define it or refer to it as "a potable spirit distilled from cereal grains." Then I say: "Scotch whiskies may be broadly divided into two main groups, namely (*a*) Pot still or malt whiskies, and (*b*) Patent still or grain whiskies." On page 3 of the manuscript, I say:—"Patent still, or grain whiskies are, as a class, lighter in flavour and 'body' than the pot still types. . . . Some controversy has of late arisen as to whether these patent still spirits have a right to the name of 'whiskey' or 'Scotch whiskey,' but although, no doubt, this controversy is largely due to conflicting trade interests, it has also, in the author's opinion, been caused by a very general misconception as to the true character of these whiskies. The idea that they are true 'silent' or 'neutral' spirits—that is, alcohol and water pure and simple—is quite incorrect. They possess a distinct flavour which varies at different distilleries, and analysis discloses the fact that they contain very appreciable quantities of these 'secondary' products which distinguish potable spirits from plain alcohol. Indeed, as a result of an extensive investigation on the question by the author, it has been shown that the relative proportion of 'secondary' products in Highland malt, Lowland malt, and 'grain' whiskies respectively is, roughly, as 3:2:1." Below this I give a table of analyses which is headed "Composition of Scotch Whiskies," and in which the grain whiskies are included. Then I say under the article "Spirits" on page 42 of the manuscript: "It is sometimes stated that the patent still does not produce whiskey, but merely plain spirit or alcohol, but as a matter of fact this is not the case. It can be so worked by selecting the proper materials and by running the still in a particular way, as to produce an article which is distinctly a potable spirit of the character of whiskey. . . . It is, however, quite impossible to obtain from the Coffey still a really plain or silent spirit such as that produced by some of the continental stills." Under the heading "American Pot Still Whiskey" (page 40 of manuscript) I draw attention to the fact that some of these whiskies are made by means of live steam, in the following terms:—"Distillation is sometimes carried out with naked fire, but more generally by means of steam which is passed into the wash (termed beer in America) either in a free state or by means of a coil. . . . . The stills generally employed for making whiskey by this process contain three compartments situated above one another and connected by means of a curved pipe. Live steam is blown into the lower compartment which causes the wash to boil. The vapours go up through the curved pipe into the next compartment and so cause the contents of the latter to boil. The vapour from the second compartment then passes up into the third in the same manner." I also desire, as it is particularly relevant, in my opinion, to the inquiry which the Commission is making, to quote from the article on "Brandy." Under the heading "Adulteration" (page 5 of manuscript) I make the following remarks:—"A good deal has been written about the preparation of artificial brandy by means of the addition of essential oils to potato or beetroot spirit, and it is more than doubtful whether this practice was really ever carried on on a large scale formerly. What undoubtedly did occur was that much beet, potato, or grain spirit was used for blending with genuine grape spirit. Prosecutions under the Food and Drugs Act by certain English local authorities in the year 1904 resulted in the prac-

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tical fixation of certain chemical standards, which, in the opinion of the present writer, have resulted in much adulteration of a type previously non-existent. There is no doubt that at the present time artificial esters and higher alcohols, etc., are being used on an extensive scale for the preparation of cheap brandies, and the position, in this respect, therefore, has not improved. Where formerly fraud was practically confined to the blending of genuine brandy with spirit other than that derived from grape, it is now enhanced by the addition of artificial essences to the blend of the two spirits."

4125. This is a change of view on your part which took place some time between 1902 and 1905?—I think I began to change my opinion largely about 1904.

4126. In 1905, in your Second Edition of "The Chemistry of Whiskey," you had already changed your opinion in so far as you would not admit that the terms "patent still spirit" and "silent spirit" are synonymous. I think that is what it amounts to?—I think I may say that that really is the root of the whole trouble, that I, in common with others, at one time believed that the term silent spirit and grain spirit, patent still spirit, and plain spirit, all really referred to one and the same thing. I think even nowadays there are people who might know better, but apparently do not know better in that regard. They do not know that these various classes of spirits made in a Coffey still, and other stills, are by no means the same, and that they differ very materially from one another. I think I am correct in saying that you had evidence here from a Mr. Pheysey, who, I think, is the manager of the Army and Navy Stores Wine Department. I think he made some remarks with regard to the fact that patent still spirit did not alter in glass, and that pot still spirit did. I do not agree with that, but that, however, is outside the point. Naturally I infer that he was referring to Scotch patent still whiskey. I think I am correct in my interpretation of his evidence, that when he was examined on that particular point he said that this particular spirit which had not changed in glass was a highly rectified German spirit.

4127. That is so?—I think Mr. Pheysey does not even at present really appreciate these differences. I point out that really that is where the whole trouble lies, that people do not recognise these differences in the so-called patent or silent spirit.

4128. Now in connection with the interesting account you gave us of the continuous still. I suppose that would not be recognised as a pot still by those who framed the definitions of whiskey which have been before us?—I really do not know. Dr. Teed yesterday said if a still was produced which would produce by a single operation a pot still type of whiskey, he would be reduced to a state of helpless despair. I think I have rather reduced him to that, or I ought to have. I must say if they object to the process, *qua* process, I presume they would not be satisfied.

4129. Is it possible, in your opinion, to produce from the Coffey still a product which has, in a higher degree than at present, the characteristics of Scotch whiskey?—I think there is no doubt about that—not the slightest.

4130. It has not been shown, has it?—I have seen samples myself of Coffey still spirit made with peated malt, and you got the reek of the malt there very strongly.

4131. If they can do that, why do they want pot still spirit at all?—I think up to the present day they have been content with the position that the pot still has produced one type of whiskey satisfactorily, and the patent still has produced another type satisfactorily; and either they have not bothered about it, or until the present day nobody has really produced a still which would continuously produce whiskey of the pot type, and it has been left to the inventor of this particular still which, personally, I think should be successful on a large scale.

4132. This is something new between a pot still and a patent still—it is a continuous still?—Yes, as far as apparatus goes. As far as the spirit goes, it is undoubtedly a type of Highland malt whiskey.

4133. The question is still left open, whether it is possible to produce such whiskey as that by a Coffey still as it now is?—I rather think if the Coffey still people were put to it they could, even with a Coffey still, or a slightly modified Coffey still, do the same thing.

4134. You have never seen it?—I have never seen it, and I think it would give a lot of trouble.

4135. (*Dr. G. S. Buchanan.*) The still you speak of is at present only being worked on an experimental scale?—Yes.

4136. We heard something from one of the witnesses who was speaking of the advertising of Cambus, who said that it was rather a strategic sort of an advertisement. This is not a strategic still?—No. I am glad you have given me an opportunity of saying this. The suggestion that this should be produced before the Commission came entirely from me. This whiskey came to me for my examination and for my opinion of it. I at once saw the value of it from the point of view of this Commission, and asked permission to produce it. I think it would be quite easy to produce evidence that that is so.

4137. I do not doubt it for a moment. The object of the still is, I take it, to try and produce a good malt whiskey more cheaply and more economically than is done by any pot still that is known to you?—Yes.

4138. At present, as far as cheapness and economy is concerned, it is in the experimental stage?—Yes; but there is no doubt that the economy must be great.

4139. I will now go back to the point you raised at the beginning of your evidence on this section of your *précis*. With regard to the distinctions between the different kinds of spirit, whiskey, or grain spirit, you said, I think, that the matter was not comparable to the case of milk and water, or butter and margarine, or anything of that kind, because we had to remember that the whiskey had not got a food value; there is no question of health involved; and there is in your opinion no question of fraud. In the first place as regards the food value, would it be universally recognised that alcohol in that form had no food value?—I presume that the amount of alcohol is practically the same in both cases.

4140. You regard it merely as a question of alcohol?—As far as food value goes, I should say so, although I do not wish to express an opinion on purely medical questions.

4141. There is the advantage of the bye-products and flavours in regard to the effect which they produce upon the consumer, and the effects which any condiments have—that is an important factor, is it not?—Yes, I think it is, but in this way, that I think every consumer will suit his own palate, and the whiskey which suits his palate will do him most good. That is my view.

4142. It may be desired in a particular instance to have a stronger condiment effect, or to get a spirit which has a stronger effect as a condiment than another. The consumer might wish to know where to get a spirit which answered those requirements?—No doubt he can get it if he wants it. There is no difficulty about getting pure malt whiskey. There are plenty of them advertised.

4143. If he can be sure that it is a malt whiskey?—I most distinctly object, as I think everybody does, to describing a whiskey as pure malt whiskey which is not pure malt. I am not upholding anything of that kind. In the same way, I object to calling whiskey Highland whiskey if it is not Highland.

4144. You have no objection to making a clear differentiation of what is a malt whisky?—In what way?

4145. With regard to the description. At the present time, as you know, a man may describe as malt whiskey a whiskey which is not malt whiskey, and you think that he should be protected in calling it malt whiskey?—Yes, I think if a man calls a whiskey a pure malt whiskey it should be a pure malt whiskey.

4146. (*Chairman.*) Yes, that is the point. You think a man who makes a pure malt whiskey and calls it pure malt whiskey should be protected as against something that is not pure malt whiskey?—Yes, I agree with that absolutely.

4147. (*Dr. G. S. Buchanan.*) With regard to the analogy and your argument that the two spirits are so much the same that you do not think any question of fraud arose. Could not you apply

that to many other things? For instance, say raspberry jam consists, as to a quarter of it, of apple pulp. The food value is the same, but it is generally held that a man who mixes apple pulp with raspberry jam should declare that fact to the purchaser?—In that there is no difficulty in the mind of the public. I am not expressing an opinion on this particular case, but I think with regard to the intent to deceive there is no difficulty in the mind of the average man in the street, because there is a great difference between an apple and a raspberry; but the man in the street does not appreciate the difference between a pot still whiskey and a patent still whiskey.

4148. Let us take as an example honey mixed with glucose. They are very identical products, are they not?—Honey is largely invert sugar, I think. It is rather a different thing. Also honey is a natural product, not a manufactured article.

4149. I do not wish to labour the point, but there are parallels under the Food and Drugs Act in which labelling or declaration is usually considered necessary?—I quite agree, but I do not think there is any exact parallel to this case, because I think in such cases as you have mentioned there is undoubtedly an intent to deceive, and the consumer would know the difference. He knows the difference between a raspberry and an apple, but he does not know much about glucose perhaps.

4150. He would not know it by flavour in his jam?—But he knows there is a difference in the manufacture. When putting apples into raspberry jam it is doing something (I am not saying whether it is right or not, because I do not know anything about jam), which he knows if he was asked about it he is putting in something which does not agree with the name of it; and the consumer would distinctly know the difference.

4151. If he was challenged about it he would bring half-a-dozen people to say that it improved greatly the flavour of the jam and pleased the public.

4152. (*Chairman.*) It is a question which is constantly coming before magistrates, or the persons who have to administer the law, namely, whether a person has obtained what he has asked for. Does it not resolve itself into that?—Yes. It is a dangerous thing to generalise in these things, and each case has to be taken on its merits.

4153. (*Dr. G. S. Buchanan.*) One would go one way and another one another?—Yes.

4154. Now I want to ask you a question with regard to your distillation experiment which showed the fractionation which took place that is given in the Journal of the Institute of Brewing in 1906. It seemed to me a very valuable and instructive experiment. In reading it myself I felt that it would certainly be an advantage to my understanding to know what had happened in the case of the distillation of the low wines. That is the second distillation, is it not?—Yes.

4155. The first distillation we can dismiss, as that was comparatively simple. There was a wash-still charge of 3,868 gallons, and it produced 1,403 gallons of low wines, and so much pot ale?—Yes.

4156. With the second distillation, the low wines still charge, you take 1,323 gallons, which yielded 110 gallons of foreshotts, and 170 gallons of whiskey, and 390 gallons of feints at certain alcoholic strengths. Presently you give us the figures per 100,000 of the liquids examined for volatile acids, and so forth. I feel it would help one very much if one knew the actual quantities respectively of alcohol and of total acid and volatile acid, ethers, of higher alcohols, and so on, which were in each portion of the distillate?—I think I have given you those on page 507.

4157. They are not the actual quantities, but the proportions per 100,000 parts of the liquid examined?—And also per 100,000 parts of alcohol.

4158. Have you the absolute quantities?—I have worked it out a little further on.

4159. You have worked it out in the total impurities, taking the whole impurities together?—I have worked it out on page 510.

4160. Yes, for all the impurities together, but in order to follow your argument as to what happened to the higher alcohols, and what happened to the aldehydes, and so forth, I wanted to know what actual quantity went into the still of these articles, and after distillation what actual quantity went into the feints, what actual quantity went into the foreshotts, what actual quantity went into the whiskey, and what actual quantity went into the spent lees—of each constituent?—I think it is purely a question of arithmetic.

4161. Would it not be a very much more helpful way of enabling one to understand what had happened than putting it in these parts per 100,000?—No; I think you have to work it out.

4162. You have at present to draw conclusions from a number of figures relating to different volumes?—That is exactly why you have to work it to a common denominator.

4163. Would it be possible later on (I think it would help me personally very much) to construct a table, taking your figures on the top of page 507, and give us the actual quantities corresponding to these parts per 100,000?—Yes; I think it could be done. I think it is only a matter of arithmetic.

4164. I have worked it out in a table here which I shall be glad if you will check?—I should like to check it. You are getting changes in these things at every distillation.

4165. That is exactly it; and it is exactly that which I wanted to follow up. I find a difficulty in drawing conclusions merely from the rates. Can you tell me about the amount of alcohol that was present in the low wines charge in that distillation?—The low wines contained 20·19 per cent. of alcohol, I think, which is about 66 under proof.

4166. (*Dr. Adeney.*) 269 gallons on the still?—The low wines charge on 1,323 gallons and the amount of alcohol is given under the low wines table at page 506.

4167. (*Dr. G. S. Buchanan.*) I want to know the absolute amount of ethyl alcohol that was present in the low wines still charge of 1,323 gallons, what amount of alcohol was present in the 110 gallons of foreshotts, 172 gallons of whiskey and 390 gallons of feints. I did a rough reckoning of that just now, and I was unable to make the figures quite square. As I made it there was more ethyl alcohol present in your foreshotts whiskey and feints combined than in the low wines still charge with which you started?—I may say that I believe those figures were the official figures at the distillery.

4168. You might work that out for me at the same time as the other table?—Yes, I will do so. Those were the figures given to me, and I think those were the figures which agreed with the Revenue charge.

4169. I could not make anything like an equation. You would expect an exact equation with the alcohol?—Yes.

4170. That would be one thing that would add up no matter what had happened to the rest?—Yes, certainly. I do not think the distiller would allow any alcohol to remain in his spent lees.

4171. One other question with regard to this experimental distillation. I understand that in this second distillation with low wines you put them into the still without the addition of any foreshotts and feints from a previous distillation?—Yes.

4172. The ordinary practice as I understand is that you get a mixture of so much low wines, and so much foreshotts and feints in the last distillation?—It is a long time ago, namely 1906, but I rather think this was a case where we get low wines in the previous charge. It was a case where I particularly wanted something of that sort.

4173. You wanted to get as simple conditions as possible?—Yes.

4174. What you have done is practically what you would do if you started with a new still that had never been used before?—Yes, as far as I remember I think those were the conditions. It is rather a long time ago. I think those were the conditions in that particular distillation.

4175. With respect to this whiskey which was produced in this case you worked out all the impurities together, and it only contained 10 per cent. of what it actually started with in the wash still. That

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whiskey was in one sense a somewhat abnormal whiskey, was it not?—No, I think not, not at all.

4176. If ordinarily you got an addition of rather concentrated foreshotts and feints added to your low wines still as the material from which you produce the whiskey, and then you have, as in this case, no addition of feints and foreshotts, it would make some difference, would it not?—It might make a slight difference, but then you would probably allow for that in the distillation. The distiller has to exercise some discretion as to the manner in which he runs his still.

4177. A distiller starting with a new still?—Yes, he would run it slightly differently.

4178. With regard to the differences between the pot still distillation and the patent still distillation, comparing, we will say, an ordinary pot still whiskey with an ordinary patent still whiskey at the present time, I gather from you there are differences. Obviously, the products generally are similar, but there are differences of degree?—Yes.

4179. You can say that when you take the higher alcohols together, or when you take the esters together, or the aldehydes together, and so forth, can you not?—Yes.

4180. Do we know enough to be able to say whether the same holds true for individual constituents of these groups?—I can only say, as to that, that our knowledge is by no means complete, and that more knowledge on that point would be most interesting, but, as far as we do know, there are only differences of degree.

4181. I am only asking this for information?—I quite understand.

4182. I should like to know something about the alcohols and esters or aldehydes and the higher boiling points. Would there not be relatively a greater proportion of those produced under ordinary circumstances in the pot still distillation?—In the pot still distillation you would have relatively more of the higher boiling point bodies. The higher alcohols would be rather larger relatively than those in the patent still, undoubtedly. I think Dr. Bell gave some figures on that, if you will refer to his evidence given before the Select Committee.

4183. There might be certain products which were —and, no doubt, are—present in a very much greater proportion in the pot still than in the patent still?—With regard to the furfural, that depends so very much on the manner of distillation of the grain. Take some Irish whiskies, for instance, they contain very little furfural, even as low as one or even less, and I have had patent still whiskies very nearly as high as that.

4184. Could you tell us anything about the effect of time in connection with distillation in the one case and in the other? Has that any influence? As I understand it, in the pot still distillation it takes a very considerable time for the wash to come over?—Yes.

4185. Whereas in the patent still distillation the wash reaches a particular point at which it condenses, and the whole process is over in a fraction of a minute?—No. Practically it works out like this. In the pot still you have a continuous stream of spirit coming over, and so you have in the patent still, only you get it over in larger quantities in the patent still, because it is a larger apparatus.

4186. But it is a more rapid process for any given volume of spirit, is it not?—Yes, because it is a single distillation as against two in the pot still.

4187. But in each distillation?—I do not know that there is much difference there, I really should not like to say.

4188. What I want to understand is whether exposure to a particular temperature of distillation for a longer time would affect the character of the product —whether you would get for instance any sort of combinations or any combinations of bye-products taking place in consequence of either the redistillation or of the time for which it was exposed—the time during which the pot still distillation went on?—I really do not think so. Of course you get modifications in the pot still owing to the second distillation, because you want to eliminate your bye-products and they have to be changed.

4189. The elimination of the bye-products in the second distillation in the pot still—the fractionation—is a chemical process, because it is an oxidation process?—Quite so.

4190. If we wanted to get a more thorough understanding of the actual changes which take place in the pot still distillation, we should want not merely a single experiment such as you have given us here, although that has given us very useful information, but you would really want to have a large series of experiments under various conditions?—You mean to indicate what changes take place in the feints receiver?

4191. Yes?—Certainly. We have done very little of that. It would be most interesting to follow that up.

4192. (*Dr. Adeney.*) You only regard your experiment as a pioneer experiment?—Yes.

4193. (*Dr. G. S. Buchanan.*) You would wish to say we have advanced a great deal since 1904 when you began this new phase of your work, but you would not say we have yet got to the last word of the subject by any means?—We have got to the last word of the subject in this respect, that we know it is absolutely untrue that nothing is eliminated in the pot still. That is a fact which nothing would change.

4194. That fact must be common to all forms of apparatus for distillation of spirituous liquids in which a pot still is used? It is just the same with brandy?—Yes.

4195. You separate the head, the tail, and the body?—Yes. I have here a paper on brandy. I do not know whether it would be interesting to the members of the Commission, but it is a paper that I wrote some time ago in which there are one or two illustrations. My point is purely this, that it has been upheld for a long time that there is no elimination in the pot still and that there is elimination in the patent still, and that in that regard there is a specific difference between the two forms of apparatus. I maintain that that is absolutely incorrect, and it has been proved up to the hilt that that is so.

4196. It is a question really of the degree of fractionation, is it not?—Yes, it is a question of degree.

4197. I think you told us you did yourself at one time advocate rather strongly the view that there was no fractionation. That was at the time when you were taking the pure malt line?—I might have expressed the general opinion that one held in those days, but I have certainly had occasion to alter it as the result of my own work.

4198. That was not contained in your article in the Encyclopædia Britannica?—I do not know whether I refer to it there.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

NINTH DAY,

Wednesday, 1st April, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Dr. PHILIP SCHIDROWITZ, recalled.

Dr. P. Schidrowitz. 1 April 1908.

4199. (*Dr. Adeney.*) Before proceeding with your evidence I should like to ask you one or two questions arising upon the evidence you gave us yesterday. You told us that you watched the Islington case on behalf of a Scotch syndicate?—Yes.

4200. Do you come before us now in that same capacity?—No, I have not been retained by anyone to come here.

4201. You come here as a perfectly independent witness?—Absolutely. I might go further than that and say that with the exception of my establishment no one saw my proof of evidence or my appendices, or anything connected with it, nor did I discuss them with anyone.

4202. Then as to the definition you gave us, or rather a description, as you prefer to call it, of whiskey. I see in one of the papers that you referred to yesterday there is a definition of brandy which seems to me to be a valuable definition. It occurs on page 132 of the paper. Perhaps you would read the words of your definition and then tell us whether you could base a definition of whiskey on similar lines?—"Brandy is a spirit distilled in France, the volatile constituents of which are derived entirely from the grape which contains no added matter of any kind except water, sweetening and colouring matter, and of which the taste and odour are those ordinarily associated with that designation." I think one might fairly translate that into Irish and Scotch whiskey by saying—for instance, we will take the Scotch whiskey—that this is a spirit distilled in Scotland, the volatile constituents of which are derived entirely from cereal grains.

4203. And malt?—And malt.

4204. (*Chairman.*) But you have got a difficulty there, have you not? You would say rice if necessary if it were not for the cost?—I said cereal grains.

4205. But you said in your definition that if it had not been for the cost you would include rice too?—I think rice is classed with the cereal grains.

4206. You treat it as a cereal grain?—Yes.

4207. It is not grown in Scotland?—No. I did not say grown in Scotland. I said distilled in Scotland.

4208. But other witnesses have told us the cereals ought to be grown in Ireland or Scotland?—I do not agree with that at all, any more than hops, which we use for brewing our Burton beers, must be grown in England.

4209. A great many people think they ought to be?—Perhaps it might be better for the hop growers if they were.

4210. (*Dr. Adeney.*) Will you complete your answer that you were giving to me?—"Which contains no added matter of any kind excepting water, sweetening and colouring matter, and of which the taste and odour are those ordinarily associated with that designation." Of course in the case of whiskey one has to remember that the sherry cask comes in, and that possibly there you might get some volatile constituents derived from the sherry cask, therefore I do not think one could perhaps put it on quite the same lines. In what I have just said I should not like to pin myself down to that as a definition. I may say that definition of mine of brandy met with a great deal of opposition owing to my using the word "France." I said that because the brandy is defined by the Pharmacopœia I believe as a French spirit.

4211. There are good brandies coming from various other countries, are there not?—Personally I should feel inclined to jib at the name of "brandy" without qualification.

4212. We had better not pursue that point at present. Then there was another piece of evidence you gave us. You referred to a whiskey being entirely altered when the height of the neck of the pot still from which it had been produced was reduced by about 2 feet. Was the resulting spirit an improvement?—Yes, decidedly. It was so done in order to improve the whiskey.

4213. And it was an improvement?—Yes, it was in that particular case.

4214. The next section of your evidence deals with the character of different classes of spirit. Can you tell us what is the character of the different classes of Scotch whiskies?—Scotch whiskies may be broadly divided into Highland malts, Lowland malts, Campbeltowns, Islays and Grains, the Grains being the patent still whiskies. There is some sub-division. For instance, the Islays are properly speaking Highland malts, I believe, and among the Highland malts proper there are sub-divisions. For instance, there are the Speyside whiskies and the North Country whiskies, and I should describe their characters in this way. Taking the Islays first, those are the most highly peated whiskies; they show a very high peat flavour, and yet they show a very fine and round quality when they mature. Then the Highland malts, taking the Speyside whiskies, are not so big as the Islays, and they are not so highly peated, and they show rather an ethereal flavour than a peat flavour. Then if you take the North Country whiskies they do not show the ethereal flavour of the Speyside whiskies quite so much. They resemble to a certain extent the Islays only in rather a different way. Then the Lowland malts are on the whole rather smaller in flavour and perhaps not quite so fine although there are some very fine Lowland malts. Then finally the Campbeltowns which are perhaps not quite so fine in quality as similar whiskies made elsewhere, but I do not wish to be understood to say there are no fine Campbeltown whiskies. Then finally there are the Grain whiskies, or the patent still whiskies, which are of a very much lighter type, but are in my opinion most distinctly potable spirits and most distinctly Scotch whiskies, and have most distinctly a right to the name of Scotch whiskey. I would differentiate those very sharply indeed from the highly rectified grain spirit or a spirit made from molasses or anything of that kind. They are quite different. It took me some time to educate myself up to it, and it is a very difficult problem, but when one has educated one's palate to this one can easily distinguish the different varieties, and one then appreciates the fact that the Grain whiskies not only possess character, but that Grain whiskies from different distilleries possess different characters. I have samples here of these various types, and I do

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not know whether the Commission would like to see them. Tasting is rather a difficult problem, but I can put them in and you can examine them at your leisure.

4215. (*Chairman.*) What is the operation you propose?—I propose to hand in the samples, if you care to have them, of these different types.

4216. We will have them a little later?—I will hand them in later.

4217. (*Dr. Adeney.*) Have you anything else you wish to say upon that subject?—Not with regard to flavour.

4218. Can you tell us anything about the analytical character of these various classes of whiskey that you have described?—I have published together with my colleague, Mr. Kaye, a very large number of analyses of Scotch whiskies in this paper that appeared in the Society of Chemical Industry Journal, of which I think you have copies, and in addition to those I have some further figures here. In Appendix 7 I have some statistical figures based on the figures in this paper. (*See Appendix E, VII.*)

4219. What is the heading of that Appendix 7?—"Table of the maximum and minimum ratios of the colorimetric and oxidation tests in whiskey of the same classes." Those are really statistical figures based on the figures in this paper. Then in Appendix 8 (*see Appendix E, VIII.*) I have had recalculated the figures handed in by Dr. Bell to the Select Committee of the House of Commons so that they may be comparable to the figures with which we deal now. At the end of that Appendix No. 8 I make some remarks on the figures as they appear to me.

4220. You have given several tables in this Appendix 8?—Eight tables, including new pot whiskies from different distilleries and new patent whiskies. Then old pot whiskies; then another series of pot whiskies; then another series from one and the same Scotch pot distillery at various ages; then a series of old patent whiskies; and another series of old patent whiskies, and then finally a series of foreign patent still spirits. Those were all put in by Dr. Bell before the Select Committee, but I have recalculated them, and I think the table perhaps which is the most interesting is that of the foreign spirits, if I may be allowed to refer to that.

4221. (*Dr. Horace T. Brown.*) There is an evident misprint in the original table affecting No. 8 of your recalculated amounts. I think that figure should be divided by 10 if you look carefully at the tables in the 1890 and 1891 Report. There is a misplacement of a decimal point.

4222. (*Dr. Adeney.*) Here is the original table of Dr. Bell?—You mean it is wrong in the original table?

4223. (*Dr. Horace T. Brown.*) Yes?—I do not know that. I think it is quite possible that it may be so. I think it is possible one might from molasses spirit get something of the kind.

4224. As far as my recollection goes there are not the same number of figures in those as in the other?—Dr. Bell says so at question 3630.

4225. (*Dr. Adeney.*) The origin of that particular spirit was probably beet or molasses?—Yes. I think that is quite correct. May I just make some remark upon this particular table? I say at the end of my tables:—"The above tables comprise analyses from 9 (or possibly 12) pot distilleries"—Dr. Bell was a little vague as to the number—"(English, Scotch and Irish) and from 5 (possibly 7) patent distilleries (English, Scotch and Irish; also a series of foreign spirits. As at that time (1891) there were 113 pot distilleries in Scotland and 22 in Ireland, and 13 patent distilleries in Scotland, 8 in Ireland, and 10 in England, making a total of 125 pot distilleries and 31 patent distilleries, these analyses cannot be accepted as representative of the whole industry, but as far as they go they show: That there is very wide variation between different pot whiskies from different distilleries; that there is very wide variation between whiskies from the same distilleries of different years; that this also applies to the patent spirits; that the British patent spirits differ very materially chemically from the foreign patent spirits, and that those figures also bear out chemically the contentions: (*a*) that Scotch grain is not silent, and that (*b*) it is a type of whiskey. It will be noticed both in these analyses, as also in those of Schidrowitz and Kaye, that in the Scotch patent spirits, the higher alcohols, as a whole, are high as compared with the ethers—this also applies to the pot whiskies—whereas in the case of the foreign spirits, they are either almost silent, or, where they contain appreciable quantities of bye-products, the ethers are relatively very high as compared with the higher alcohols, that is to say exactly the reverse. The foreign spirits which are practically silent (Nos. 6, 7, 9, 13, 16, 17) are probably the highly rectified 'Hamburg' potato spirits, those containing appreciable amounts of ethers may be the molasses and beet spirits, those with very high amounts of ethers (Nos. 8 and 14) probably from sugar cane molasses." I think I may be wrong there because Dr. Bell says it is a spirit for methylation.

4226. With regard to the composition of the grain spirit. On analysis you would have no trouble in referring to it as a grain spirit yourself? It would not be silent to your judgment?—No, certainly not.

4227. (*Chairman.*) What do you say is the proper meaning, according to you, that ought to be applied to the term "silent spirit"?—I think the word "silent" is a comparative one, and strictly speaking of course it should apply only to absolute alcohol. But the word "silent" is used comparatively, and I will refer to that a little later on with your Lordship's permission. Then Appendix 9 contains some further analyses of patent still whiskies. (*See Appendix E, IX.*) I have two samples which were purchased in Glasgow which were sold there as whiskey in bottle. One was Cameron Bridge and the other was Cambus. I may say I saw two shops in Glasgow where the windows were practically full of these whiskies bottled and described in this way.

4228. What do you include in the term "these whiskies"?—One was labelled: "3 years old grain whiskey. Cameron Bridge, Fife."

4229. That was patent still?—Yes. Then there was the name and address of the retailer, and this also appears on the label of the second one: "Distilled in 1884. A perfectly pure spirit for medicinal purposes. Cambus grain whiskey." The name of the retailer also appears on that, and there was no attempt to deceive in any way there. It was sold as grain whiskey, and apparently the people must have bought it because I have seen this shop several times. Then there are a few further analyses. I do not know that there is anything particular in them that I need refer to. They amplify the other figures.

4230. (*Dr. Horace T. Brown.*) These are all additional to your part 2?—Yes.

4231. (*Dr. Adeney.*) I suppose you have no objection to these papers of yours being reprinted in our Appendix?—I do not think so. (*See Appendix F.*)

4232. You have no objection yourself?—I have no objection. I do not know whether I am able to speak for the societies who printed them.

4233. I think their permission would have to be obtained, but you, personally, have no objection?—No. I might point to the very great variations that occur, but I think those are pretty apparent.

4234. You mean the variations in chemical composition?—Yes.

4235. Perhaps we might take that a little later on. Now we will pass on to Irish whiskey?—I may say that my knowledge of Irish whiskey is by no means as great as that of Scotch whiskey, but I have some knowledge of it. I have in Appendix 10 a number of analyses of Irish whiskey, and also of American whiskies. (*See Appendix E, X.*) I think the figures speak for themselves. You will see that in the case of the American whiskies the figures are a good deal higher than the figures which we get here.

4236. (*Chairman.*) What figures are higher?—Referring to the bye-products, the so-called impurities. Then lower down I give the averages of a very large number of analyses which Dr. Wiley kindly sent me, and I do not think he will have any objection to my referring to those. He did not mention them as being confidential, and they practically confirm the figures published in this recent paper by Messrs. Crampton and Tolman, although those are quite distinct. The Inland Revenue in the United States is quite distinct from the Department of Agriculture. I do not think there is any need to make any comment on that.

4237. (*Dr. Horace T. Brown.*) What is the meaning of the very high extracts in the American whiskies?—

I do not know that it is so very high because we do not express extracts in those terms at all.

4238. Is not this ·3 or ·4 per cent. of extract on the whiskey?—Yes, that is rather high. I take it that is from the charred cask. You would get a great deal more out of the charred cask than you would from an ordinary cask. That is how I explain that.

4239. (*Dr. Adeney.*) Have you anything more to say on that point?—Not on that particular point.

4240. You have already answered the question as to the patent still spirit being silent?—Yes.

4241. You gave us yesterday some particulars as to these different spirits. Do you wish to add anything to that?—I should like to deal with the terms "silent" and "plain" now. I have here a sample of Lowland malt whiskey, which is a very fine whiskey indeed. I have put an envelope round the bottle in the same way as I did yesterday, but, of course, the Commission can remove that, and they will see what the whiskey is. Although that is one of the very finest Lowland malt whiskies, and if you refer to the chart I put in yesterday you will see it fetches a high price, it is yet called a silent malt whiskey. The word "silent" is used as a comparative term apparently.

4242. (*Dr. G. S. Buchanan.*) Is that some old term in connection with this particular whiskey?—I do not know, but they have apparently used it all the time for their whiskey. Whether they use it now I do not know, but I think so. That sample is some years old now.

4243. (*Dr. Adeney.*) That is a trade sample, I suppose, and would not appear on the bottles going to the retail trade?—I do not know. Very few of these whiskies go bottled to the retail trade. That bottle, as a matter of fact, has not been opened; it still has the Excise seal on it. Then with regard to the term "plain" and the word "spirits", I have here another sample of another Lowland malt which is called plain malt spirits, although it is a pot still malt whiskey. The word "plain" there refers to the fact that it is not peated. The word "spirits," I believe, is merely a synonym for whiskey. I believe the terms "spirits" and "whiskey" are synonymous in many parts of Scotland.

4244. (*Dr. Horace T. Brown.*) Is that a malt whiskey?—Oh, yes. Those are all pot still whiskies. In fact that is one of the very finest Lowland malt whiskies.

4245. (*Dr. G. S. Buchanan.*) Have the terms "plain" and "silent" in these connections got some special significance for blending?—I do not think so. I think the word "plain" there indicates that it is not peated in that particular case.

4246. (*Chairman.*) Is not this a new practice calling whiskey made in a pot still "silent whiskey"?—No; I think not. This is several years old.

4247. That is exceptional is it not to call whiskey "silent whiskey" when it is made in a pot still?—I put that in to show that the term "silent" is used even in connection with a high-class malt whiskey and is a comparative term. If you open that bottle you will see that is distinctly a very fine whiskey.

4248. (*Mr. Guillemard.*) A comparative term, but in this connection it is difficult to see what it means at all?—I merely put this forward to show the loose manner in which all these terms are used in the trade.

4249. (*Chairman.*) Is there a general use of the terms, or may this not be an exceptional use by some particular distiller?—I should think it is quite likely that it may be so in this case.

4250. (*Dr. Cushny.*) You mean it is silent compared with Islay, for example?—I suppose that is what it is meant to indicate. I do not know why they use the term in that particular case because it is a very fine whiskey. The point I want to make is, that all these terms are used very loosely. The terms "whiskey" and "spirits" and "silent" and "plain", and so on, are used in the most loose fashion.

4251. (*Mr. Guillemard.*) Is this a sample taken by a Revenue official?—I think so.

4252. It has his name upon it?—Yes, I think the Excise seal is on it too.

4253. (*Dr. Adeney.*) Have you finished what you have to say with regard to these different terms?—Yes.

4254. Are there different kinds of patent still spirits?—I think I have pretty well dealt with that. In my view the whole trouble arises from the fact that that is not recognised.

4255. In your opinion is a chemical definition possible of "whiskey"?—I think not. I think it is quite impossible at present—I mean a definition based on purely chemical facts.

4256. (*Chairman.*) Does that include chemical limitations as well as definition? Would you limit the ingredients from which you would make whiskey?

4257. (*Dr. Adeney.*) You would limit any attempt to control the definition by chemical composition?—I was referring to the finished whiskey in this case. What I meant was a definition such as Dr. Teed's, that it must contain 380 parts of impurities. I think that is quite out of the question.

4258. It would be impossible to control any definition of whiskey by such a chemical standard?—I think so. That is the opinion I have come to after a very great deal of work on the subject, and I must say I am rather sorry it cannot be done, because if it could be done I think we should probably get a great deal more work.

4259. Is a chemical definition objectionable on principle, do you think?—I think an impurity definition of the kind suggested by Dr. Teed is objectionable because we only have knowledge so far as it goes of the quantitative nature of the various impurities. I do not think, therefore, that the chemical analysis necessarily conforms to the character of the whiskey. In some cases you get certain types of whiskey—I have known this over and over again—and the chemical figures come out pretty regular, but, on the other hand, you get distilleries producing the same type of spirit where they are very different.

4260. You mean to say the chemical figures lump things together, and the analysis does not distinguish?—Quite so, and that is where a good deal of research would be of great use to the industry.

4261. Then you do not think a chemical standard at all possible?—No, I think decidedly not at present, and I doubt whether it could ever be done. I used to think it could at one time, but I am afraid here again I have had to alter my opinion.

4262. Can you give us any analytical figures to ground your objections?—The figures I refer to are these in my various tables. You will see the variations are so very very wide as between different classes and different distilleries, and variations at the same distillery. I have had samples from the same distillery where the character of the spirit is pretty much the same which vary enormously. In one case I know of a distillery where the figures were a long way above Mr. Teed's definition of impurities, and then I had another sample from the same distillery which was a good deal beneath it. The whiskey was in one case bigger than the other, but the distinctive character of the whiskey was still there.

4263. So the analytical figures as at present obtained should have no relation to flavour?—They can have but little because, first of all, we have no knowledge of the qualitative nature of the "impurities" which we estimate together, and, secondly, there are substances undoubtedly present in whiskey which I have referred to in this paper which we cannot estimate even quantitatively, the terpenes, the ethereal oils, the creosote products, the peat flavours, and so on. We really know very little of them and certainly not enough to try a quantitative estimation.

4264. You would regard then an attempt at a chemical standard as unwise on grounds of public policy?—I wish to limit myself there, of course, entirely to this particular case of whiskey. I personally think it would be very unwise, firstly, because I think it would be creating an offence where no offence exists in my opinion at any rate, and secondly, my experience in the brandy case has led me to think that a purely chemical definition of this kind may lead to very grave malpractices. I may say this, that the brandy case has undoubtedly led to a good deal of adulteration of a type which previously did not exist, or which practically was non-existent. A standard was set up in the brandy case that a brandy to be a brandy must have at least 80 parts per 100,000 of alcohol, of ethers. That standard, in my opinion, was rather too high, but that is

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neither here or there. The result was this, that after a time in the case of the cheap brandies, undoubtedly artificial ethers were put in and artificial higher alcohols. I may say I know that from my own personal experience in this way: first of all in the case of a rather large shipper who was sending me a considerable number of samples to analyse he suddenly ceased sending them. I saw him one day and I asked him about this, and he said, "Oh, we do not need you now; we put them in at the other end", and he made no bones about it. He said "If people want 80 parts of ethers they shall have them." Another reason for what I say is this, that I have had samples on several occasions showing very high figures for ethers and higher alcohols, and yet which were obviously not good brandy, in fact, they showed such figures as would only be found in a very high class of fine old Grande Champagne, or something of that sort. I reported on these, and I said the standard was all right, but in my opinion it was not brandy. Then there was a lot of trouble and they said: "You chemists say that anything showing this figure must be right", and I said "Pardon me, I say nothing of the kind." That shows the gravity of a standard of this kind because it is so very, very simple to adulterate. If I may take the simile again of milk and water. The only thing they can introduce there is the addition of water which, of course, can be detected within limits, but it would be very difficult in order to avoid that detection to put some foreign fat into the milk. That would be a very difficult thing for retailers, and it would have to be done on a large scale. I think it would be very easy to find out, and therefore there is really no parallel there, whereas here all the retailer need do, or the blender, is to have a little bottle in his sleeve and pour the whole contents in it. It can be done without anyone knowing anything about it and the chemist certainly cannot detect it.

4265. (*Dr. G. S. Buchanan.*) The parallel is putting separated milk into milk. That is perfectly easily done and is done every day?—Yes, but they do not add fat to try and make it go right.

4266. No, this is another form of adulteration?—Exactly. In that case it is a difficult thing; they cannot bring it up to the limit. If you add separated milk to milk you get a low fat content, whereas in this case you can put in your ethers and bring it up to what you want. That is the difference.

4267. (*Dr. G. S. Buchanan.*) It is, as a matter of fact, reducing it down to a standard.

4268. (*Dr. Adeney.*) I take it from you that a chemical standard would only enable an analyst to detect extreme cases of adulteration?—Yes, that is my opinion. Again in the case of standards there are always objections because there are extremes which do not accord with the standard, and I think to those objections one says very rightly "We are not making a standard for an extreme." If an extreme case does come up then a man is always in a position to prove that he is being unjustly treated, but here it is only the extremes that you can spot. If a man labels a patent still whiskey "Pure Malt" no doubt you can say pretty well that is not a pure malt pot still whiskey, and so in the same way if the pot still man labels a pot still whiskey "Patent still whiskey" you can also tell in that case, but when you are dealing with blends it is only rare cases that you can tell. It is only in the extreme cases that you can tell.

4269. (*Chairman.*) What do you call an extreme case in blend—90 per cent. to 10 per cent?—Something of that kind. If you start with a pot still whiskey, of, say, 700 or 800 parts of impurities according to Dr. Teed, it is obvious that there you can add 60 or 70 per cent., or a good deal more than that, because the patent still also contains some impurities, and you can probably add 70 or 80 per cent. in some cases without it being detectable according to analysis. I do not say that the palate of the taster would not give some indication—it probably would.

4270. (*Mr. Guillemard.*) It would still be above 380?—Yes, if you take a patent still spirit containing 150 or 200 of impurities and the pot still containing 700 or 800, it is merely a question of arithmetic

4271. (*Dr. Adeney.*) I think you have answered most of the references that you have made in the rest of this section. Could any definition be enforced or be practicable, do you think?—I do not think so for the reason that I have given.

4272. Would you like to say anything more on what flavour is due to?—I have forgotten to mention in the case of the 380 standard why that is too high. That is a very important point, and I ought to deal with that. I have here in Appendix 11 an examination of 10 authenticated samples from nine different distilleries, all Scotch pot still whiskies, by Dr. Teed's method. (*See Appendix E, XI.*) I may say here, again, that method was the particular variation of the colorimetric method which Dr. Teed employs. These, with one or two exceptions which I have in my other tables, and which I had not got when I drew up this table, constitute all of the authenticated samples which I examined according to Dr. Teed's method. I have examined many blends, but these are all the authenticated samples I have examined. You will see that five of them are below 380, and five are above 380. The lowest one goes down to 246, and the highest one goes up to 563. I think it is a fair inference that when you take 10 whiskies from nine different distilleries and you get half and half, five below and five above, that if you take 100 distilleries you would probably get still greater variations. I think that Dr. Teed has been led astray by the fact that he has only examined samples from, I think, five Scotch distilleries. It is true he examined a considerable number of samples from each distillery, but that is really of very little value in this regard. Of course, it is valuable with regard to the variations at a particular distillery. Then with regard to flavour, I think I have dealt with that. The flavour is due undoubtedly to the impurities, the bye-products, but unfortunately we are only cognisant of part of them, and therefore we are not in a position chemically to speak as to flavours.

4273. I notice there are some of the appendices that you have not referred to. Is there anything else you would like to refer to under this section we are dealing with?—I think I have referred to all the appendices that come under this section. There is only one remaining appendix referring to nitrogen, and that comes in the next section.

4274. (*Dr. Horace T. Brown.*) With regard to the general characters of the whiskies as made in the pot and patent still, you have led us to understand that there is a regular transition from one end of the scale to the other?—Yes.

4275. Of course, in a series of that sort, the most interesting part resides in the cases which just lie on the limits of the two. Can you get a patent still whiskey which is indistinguishable by palate from a certain Lowland pot still whiskey?—I cannot say that I have ever seen one, but I rather think it could be done.

4276. But as a rule you could tell a pot still whiskey from a patent still whiskey at once?—If you have the two side by side.

4277. Although there may be an over-lapping as regards the analytical figures it is not necessarily an over-lapping as regards the characteristics of flavours?—No, not necessarily.

4278. That is rather an important point?—It is rather a difficult point. I think that some of the Lowland malts are very, very light in flavour, and I think you would probably get some of the grains that would show practically as much flavour.

4279. Of course, your analytical figures show a very considerable amount of over-lapping?—Quite so.

4280. If we consider those figures in Part 2 of your Society of Chemical Industry paper on page 16 of the reprint, and if we take the higher alcohols as determined by your Allen-Marquardt method, the grains start at 33 and finish at 80, and then you start with Lowland malts at 82 running up to 228. So that there is practically a joining up there?—Yes.

4281. But if, on the other hand, we take the higher alcohols as determined by the colorimetric method in the previous column the over-lapping is still more marked, and you start with your grains at 39 running up to 400, and you start with your Lowland malts at 189, so that there is a considerable overlapping there?—Very great.

4282. That is so, is it, no matter what method of analysis you adopt?—Undoubtedly.

4283. You think that Dr. Teed, if he had extended his observations further, would have found the same overlapping?—I think so.

4284. His highest figure, I think, for the grain whiskey was 204?—Yes, I believe so.

4285. Have we any means of converting these various results, as obtained by one method, into the results obtained by another method? I should like to take, first of all, your own case, where you have determined the higher alcohols by two distinct methods, one the colorimetric method, in which you use, I think, amyl alcohol as the standard, and the other the Allen-Marquardt method. Is it possible to use any factor to convert one set of observations into another?—To convert the colorimetric into the Allen-Marquardt?

4286. Yes?—No, I think it is absolutely impossible

4287. There is nothing approaching a fixed relation between them?—No, because the colorimetric showed other things with higher alcohols; that is the trouble. The test is not a specific test for higher alcohols. There are other matters there undoubtedly which give colouration.

4288. But supposing you have determined your higher alcohols by Dr. Teed's method on the one hand, and yours on the other, is there any constant relation between those figures?—Between the Allen-Marquardt?

4289. No, not the Allen-Marquardt, but between your colorimetric method with the amyl standard and Dr. Teed's method with isobutyl standard?—I say here: "In order to make the results obtained by the colorimetric process comparable as far as possible with those recorded in literature as obtained (chiefly in the case of brandy) with an isobutyl alcohol standard, we made some experiments to ascertain the relative intensity of colour obtained with this alcohol and with amyl alcohol respectively. The shades produced are not absolutely comparable, but if the figures given by us be divided by 2·5 the results will roughly approximate to those that would be obtained if an isobutyl control solution were used." We made a few experiments in that regard—I forget the number—but it is very likely if we had extended that we should have shown greater variations.

4290. That gives a reduction factor of 2·5?—Yes.

4291. And Girard and Cuniasse give a reduction factor of 1·66?—Yes, but I do not know whether that refers to the water bath method or to the flame method.

4292. Take this appendix, in which you have given the analyses of some seven or eight whiskies by Dr. Teed's method. I suppose you adopted exactly the method which he has described to us?—Absolutely.

4293. To the minutest detail?—Yes, I adopted it exactly as described by him. He described it in the Islington case.

4294. Did you happen to determine the higher alcohols by your own methods simultaneously with this?—In these cases do you mean?

4295. Yes?—Yes, I think so.

4296. You have not given those figures, and I think it would be very interesting to have them?—I do not know whether I can get them out now. It would take some time.

4297. With your amyl control?—No, I have quite given that up. It was by the Allen-Marquardt. I have not done any by the amyl control now for a long time.

4298. It is really impossible to convert one set of figures into another?—Practically. May I just point this out, that in that paper we refer to the colorimetric process, and we practically say there (in the last paragraph on page 6 and the top of page 7) that the figures are of no use, and we only give them as a matter of interest. I say that because suggestions have been made that we give two processes there, and that we set equal value on both, and that we consider them both in the same light. I think, on reading that, you will see that that is by no means the case.

4298*a*. (*Dr. G. S. Buchanan.*) You were telling us about the difference in the type of flavours in different whiskies from patent stills. Are those even more marked in the case of the older products than in the case of the new?—Keeping to Scotch grain whiskies for the moment?

4299. Yes, you were telling us that you could distinguish differences of flavour, and you had educated your palate to tell you that?—Yes.

4300. Do you get these differences much more clearly in the case of the aged product?—I should not like to say that. You get them pretty clearly in the new product I know, because I have compared them over and over again. I do not know that I have ever compared the old products, but I think it is pretty clear there. For instance, old Caledonian is very different from old Cameron Bridge or old Cambus.

4301. What is it that distinguishes the main difference between the Lowland malt and these other pot still whiskies that you have told us of as regards preparation?—At the present day I think it is largely a question of water and the malt employed, and in some cases different methods of preparation, running at a different strength, for instance, but that is not so much the case now as formerly. In the old days I think there was a very distinct difference. The Lowland malt distillers used to run their whiskies at a higher strength than the Highland malt, but I do not think that that obtains to the same extent nowadays, and, as a matter of fact, the line of demarcation nowadays is perhaps not quite so distinct as it used to be.

4302. Are the Lowland malt distilleries mainly distilleries where there is also a patent still?—Oh dear, no. On the contrary, speaking from memory, I think there are only one or two Lowland malt distilleries where there is also a patent still. I think you will see that from that chart which I handed in yesterday. I rather think they give it there.

4303. They are not whiskies that are made specially for blending purposes?—Oh, no.

4304. There are self whiskies among them?—Yes, certainly.

4305. A large proportion—I mean whiskies that go out to the public?—I do not think at the present day any pot still manufacturer has in view very much the making of self whiskies.

4306. (*Dr. Adeney.*) Do you include Irish pot stills?—No, I mean the Scotch people. But on the other hand I may say this, that it is said the pot still distillers work for the blenders only and get as big a whiskey as they can. That is absolutely untrue. On the contrary, I have come across several cases recently where people have been working away to get their whiskey lighter and lighter because it was much too big and much too fat, and people would not have it. I have two samples from two Highland distilleries, one a Speyside and the other a West Country whiskey, and they are absolutely different from what they used to be. They are ever so much lighter and I scarcely recognised them.

4307. (*Dr. G. S. Buchanan.*) You spoke of a chemical standard which you regard as impossible as applied to whiskey generically. I gather from you that it would be possible for analysis to detect the extreme instances that would have no hesitation in an ordinary case in identifying the fact that a particular whiskey was a malt whiskey, or establishing a pretty probable presumption?—Yes, in extreme cases, certainly.

4308. I have given you an extreme case. That would be an extreme case?—Yes.

4309. Ordinary grain spirit or a grain spirit with a small proportion of pot still spirit, 10 per cent., or something of that kind, would also be an extreme case?—In an ordinary way. It is really a question of arithmetic. If you have a malt of 800, say, and you use 10 per cent. of that it gives you 80, and you have a grain, say, of 150, that would give you about 230 or 223 of impurities. Now I have had malt whiskies which are nearly as low as that.

4310. You would get pretty near it in the ordinary case?—Yes, in a case like that.

4311. If you go out of your way you can always get some special spirit that is very close to the border line on the other side, I suppose?—Yes, but I am speaking of the extremes.

4312. You were speaking as if the detection of extreme cases or the identification as to whether a description of whiskey was right or not in extreme cases was a wrong principle. But is that altogether so? The alternative is to do nothing at all. That is practically what you would advise us to do in the matter, is it not?—No, I do not think so. What I should advise is this, that when a man sells, as a pure malt whiskey, whiskey which is not pure malt, or sells as Highland whiskey whiskey which is not

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Highland, and that can be detected by taste or otherwise, I think that there a prosecution might very well take place under the Merchandise Marks Act. I personally should not have the slightest objection to that.

4313. (*Chairman.*) But suppose there is no merchandise mark, as for instance, upon a glass of whiskey given over the counter. The Merchandise Marks Act merely applies to a mark on the merchandise?—Yes, on the bottle.

4314. (*Dr. G. S. Buchanan.*) It is the same with regard to grain whiskey. If a man described a grain whiskey incorrectly, and you could detect it by analysis or otherwise, you would consider it reasonable that he should in some way or other be penalised?—If he described grain whiskey as malt whiskey?

4315. Yes?—Oh, certainly—undoubtedly.

4316. One question with regard to the estimation of these different whiskies by analysis. I gather that in the brandy case you had a special objection to the limitation of ethers because it was so very easily imitated, or adulteration was so easy in consequence?—Yes.

4317. Does the same thing apply, or apply with quite the same force, when you are dealing with a coefficient which is a combination, as it were, of massed impurities?—I am afraid so. I am afraid you would get people putting together the right mixture very quickly. I should like to avoid very much, if I possibly could, anything of that sort going on.

4318. With regard to the question of overlapping in these different classes of whiskey which are given in your tables under Part 2, the overlapping that was spoken of just now was due to overlapping of the higher alcohols particularly I think?—Yes.

4319. The higher alcohols by the Allen-Marquardt method?—Yes, that is so, and by the colorimetric. There is more overlapping by the colorimetric.

4320. Just to see how that worked out I added up the figures in your different columns, the total acids and ethers and higher alcohols by the Allen-Marquardt, and the aldehydes and the furfurals. Looking at them in that way the Highland malts, for an average of 36 samples, gave a figure of coefficients of 288; and the Lowland malts, an average of 16 samples, gave 255; the Campbeltowns, an average of 15 samples, 352; the Islays, an average of five samples, 294; and the grains, an average of 23 samples, 123. Then the range was from 430 to 222 in the case of the Highland malts; 349 to 149 in the case of the Lowland malts; 509 to 209 in the case of the Campbeltowns; 337 to 259 in the case of the Islays; and 174 to 63 in the case of the grains?—I have 191 as the maximum of the grains.

4321-4. 190·7?—Yes.

4325. Then you are right. I had got the figure here, and it was my statement that was wrong. Taken as a whole, when you take these impurities together, they do show a large range in each case, but they also show considerable contrasts, do they not, of the grains with the other malt whiskey?—They show a contrast undoubtedly.

4326. Could you say whether that contrast as a whole is more marked with the new than with the old?—I should say, on the whole, the contrast is less with the old than with the new—rather less, because you get the cask products which would be pretty well equal in every case, and which would tend to level up.

4327. Did I gather from you that you could in ordinary circumstances get a much closer approximation or a much closer idea as to whether any alteration or addition of patent still spirit to pot still spirit had taken place if you were always analysing or frequently testing samples from the same distillery?—I do not think I quite follow. Do you mean that if I had a large series of analyses of a particular distillery, and then someone added some grain whiskey to this particular pot whiskey, whether I should be more likely to detect it in that case?

4328. Yes?—I think you would be more likely to, undoubtedly, because you would have practically a specific knowledge of a particular whiskey there. I may say this, that analysis is very useful when you have a specific whiskey to show whether the retailer has adulterated, that is, substituted another whiskey. There it is very useful indeed. You cannot tell in all cases, but you can tell pretty often.

4329. That was what I wished to bring out. You said there was often a considerable range and difference in analytical characters between the same kind of whiskey that is turned out from the same distillery?—Yes.

4330. When you are speaking of that you mean a whiskey turned out from the same distillery of the same trade description and designation, and the same age and condition apparently?—Yes. I mean this, that if you take a particular distillery you get pretty wide variations in the chemical figures, although the general characteristics of flavour, and so on, and bodies may remain not very much affected because the amounts of these chemical things are so small, and some of them, no doubt, have very little influence on flavour, others more so.

4331. All the same, if you had a sufficient number of samples you would get an idea of the range of alteration that was likely to be characteristic of that particular distillery?—Yes, certainly.

4332. And some change like the addition of a patent still whiskey, even if it was in comparatively small proportions, might be detectable, might it not?—You would get it probably within a narrow range, but I do not know that that would be very valuable, because it scarcely is a commercial proposition. Very few self whiskies are consumed or go to the consumer direct. In very few cases does a particular whiskey from a particular distillery go to a consumer. It goes to the blender, and you would have perhaps twenty different Highland malts, four or five different Lowland malts, three or four Islays, and two grain whiskies in a blend, and there you get so helplessly complicated that any knowledge of that kind, although interesting, is scarcely applicable. What I meant was this, that if you have a particular blend which is on the market, say a particular brand, I find this, that the chemical figures of those particular blends keep fairly level. They vary, of course, to a certain extent, but it is very remarkable that the blender, with his art, manages to keep the flavour regular, and also at the same time the chemical figures. In a case like that, if a publican is substituting a cheap whiskey, for instance, for a high-class blend, probably, I should say, in five or six cases out of ten you can say that that is not this particular whiskey. That is my experience.

4333. On analytical data?—On analytical data. Personally, I am not so sure that I care to go merely on analytical data. I put two and two together. I taste the whiskey, and if I find there is something wrong, and find the analytical figures are all out, then I am pretty sure of it.

4334. As you have mentioned brandy, there is a very large range, is there not, in the composition of different classes of brandies?—Yes, I think the figures vary very much.

4335. If you were to have a series of brandies analysed and set out in the same sort of way as you have done for us here with the Highland malts, the Lowland malts, the Campbeltowns, and so forth, you would get also large ranges and variations?—Yes.

4336. Supposing you were comparing such a series with the series of grain whiskies that you have given us here, would you not be able to set out cases of overlapping, and cases in which the grain whiskey analysed seem to tend to particular brandy analyses, and so forth?—I think if you took that extremely objectionable factor, the total coefficient, you might because there you are lumping together all kinds of things of which you do not know the details, but I do not think if one analysed a grain whiskey or a series of grain whiskies and then a series of spirit made from the grape in a rectifying still (I think I handed in yesterday in my paper on "Brandy" something of the kind), if you analysed them carefully and compared them you will see very considerable differences even as far as our limited knowledge of the interpretation of chemical figures can lead us.

4337. So that you would regard the ratio of particular items in particular bye-products and the relative proportions as very important?—I should judge more by that than by lumping the whole thing together, certainly.

4338. And if our knowledge enabled us to go further and split up some of these massed figures, for in-

stance, with regard to the ethers, aldehydes, and higher alcohols, it would carry us further still?—I think so, decidedly.

4339. You did give evidence, did you not, for the defence in some brandy prosecutions where the offence alleged was the addition of grain spirit?—Yes. That prosecution was purely on this ether limit, and I objected to that, and said we have not sufficient knowledge to say that is correct.

4340. You did not defend the addition of grain spirit or grain whiskey, as, perhaps, one should call it, to brandy and the sale under the name of "brandy"?—No, certainly not. You will see that pretty clearly from my definition of brandy.

4341. (*Mr. J. Y. Buchanan.*) You have been asked about the flavour of whiskey, and you have mentioned several times the effect of the water upon the flavour. In the Highlands we often hear people near distilleries saying that the water there comes over 20, or 40, or 80 falls, implying that this is an advantage. Do you think the water has an effect on the mixture that is distilled, or is the effect of the water produced in the dilution of the whiskey to the strength that it is sold at?—I think, probably, both things come in, but chiefly, I think, the effect of the water is in the fermentation and in the mashing stage. If you have a very soft water you get very different extractives in your malt than if you have a very hard water. We know that very well in the case of beer, and how it undoubtedly will affect the fermentation, the yeast.

4342. In the North of Scotland and the Highlands nearly all the water comes off primitive rocks and is practically pure water?—Very, very pure.

4343. Do you think that for the fermentation of wort for whiskey that is preferable?—It certainly seems to me, so far as one can judge.

4344. You think there is a scientific basis for the belief, the almost universal belief in Scotland, that the water has a very considerable effect on the goodness of the whiskies?—I think so. I think undoubtedly that the water has very considerable effect.

4345. You have referred to Dr. Bell's evidence before the Select Committee on Foreign Spirits. I will not ask about the chemical details, but is it your experience that foreign spirits are imported into this country for the adulteration of whiskey at all?—I think that perhaps some seven or eight or nine years ago it was done, but I think there is very little of that kind of thing now.

4346. Is what you called in these reports foreign spirits entirely distilled from the potato or the beet?—Mostly potato. If it came from Germany it would be almost certainly potato.

4347. I think Russia is the greatest spirit-producing country in the world?—Yes, I think that is so.

4348. And the people's spirit or drink there is vodka?—Yes.

4349. And that answers to whiskey in Scotland and Ireland as being the drink of the people?—Yes.

4350. Is vodka spirit distilled from any particular material like grain?—They distil it largely, I think, from rye and maize.

4351. But not from potatoes?—Formerly it was distilled almost entirely from rye, but nowadays maize and potatoes are, I believe, largely employed.

4352. The distillation is in private hands, and is not a Government monopoly?—I think it is in private hands.

4353. Do you know if there is any restriction in Russia as to the materials used?—No, I do not think so.

4354. I suppose there is no vodka imported into this country for adulteration purposes?—Oh, no.

4355. (*Dr. Cushny.*) I should like to ask one or two questions about flavours. You say you can differentiate between malt pot still and malt patent still by flavours?—In a general way—I think so.

4356. Is that by the amount of flavour, or by any special quality of flavour?—No, I think it is the amount of flavour.

4357. In an average pot still, for instance, Glen Dronach, how much patent still whiskey could be added before you would recognise the adulteration?—By flavour, you mean by taste.

4358. By flavour purely?—I am afraid that is a very difficult question.

4359. Would it be 50 per cent. or 90 per cent. of patent still?—I should think probably in a case like that you could certainly tell by taste 30 or 40 per cent., but it varies so much because the pot stills vary so much. If you are brought a specific whiskey of which you know the history and know the whiskey, and then you are asked to say, "Is this whiskey or is it a blend," that is comparatively simple. But if you are brought whiskey of which you do not know the origin, and you are then asked to say whether there is any patent still whiskey in it, or how much, then it is a very difficult problem.

4360. You said 30 per cent. of pot still and 70 per cent. of patent still?—I should think if you had a Highland malt whiskey which was not a big one, you would probably distinguish 30 per cent of patent still.

4361. You would?—I might. I do not know what an expert blender might do. He might probably put it a bit finer than that.

4362. The reason why I asked you was, that of course you were much more capable of differentiating those than an average member of the public?—I should think so, undoubtedly.

4363. The average man would probably not be able to differentiate between those two nearly so accurately?—I do not think the average man knows anything about it at all. May I give an instance. The other day, at a club of mine, I asked for some whiskey, pure and simple, because it had been suggested that people never asked for "whiskey." The attendant poured me out some whiskey, and I said, "I asked you for whiskey, what are you giving me?" and he said, "Scotch whiskey." Then I said, "Yes, but what is it?" He mentioned the name of a particular brand, and I said, "That is not what I want to know; I want to know whether it is pot still or patent still, or a blend." He looked at me as if I was demented—I was not surprised at that. I said, "I suppose you do not know anything about pot still or patent still?" and he said, "No, sir." And I said, "You do not care?" and he said, "No," and I said, "Neither do I as long as the whiskey tastes all right."

4364. That raises another point. Have you ever heard anything of a demand for whiskey in Scotland under the name of "Scotch whiskey"?—Never. They would either ask for whiskey or a glass of spirits.

4365. Another point with regard to flavour I want to have explained. I understood you to say an amount of malt was added in order to give flavour?—Yes, undoubtedly.

4366. We have been told by several former witnesses that in Ireland they add raw grain in order to give flavour?—Yes, it is quite right. I think that undoubtedly you get a different flavour from a raw grain mash than you do from a pure malt mash. There is no doubt about that.

4367. Then it is not a question of the amount of flavour, but it is the character in those two?—The character in those different cases, certainly.

4368. (*Mr. Guillemard.*) With regard to that part of your evidence when you were talking about what would result by the fixing of a chemical standard, was this the general line that you were taking, that if a chemical standard were fixed, and if that standard was made the legal test by which you would say whether a thing was whiskey or was not whiskey, there would be a real danger that whiskey in the future might be produced, not in the pot still or in the patent still, but would be produced in laboratories by chemists for consumption by the public and sold by them? Do you think that is a possible development?—I think so, undoubtedly. I think that what would happen would be that the chemist would not produce the whiskey, but he would convert the whiskey with a low coefficient of impurities into whiskey with a high coefficient.

4369. I meant something more than that. Could he not commercially and successfully manufacture the whole thing? Could he not produce alcohol?—I do not think he could produce alcohol as cheaply as a great distillery could.

4370. (*Dr. Cushny.*) He could get it from potato spirit?—Yes, but the price at which he could get his spirit would have to be a great deal higher than the distiller could produce it himself. I could not pro-

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duce alcohol in my laboratory, and if I tried I should get into trouble with the Revenue to start with, at anything like the price that a distiller could.

4371. (*Mr. Guillemard.*) What I had in my mind, perhaps, was this: that a chemist would set himself to run a distillery, and that he would do it in that way?—That he could get his impurities and could actually get them by putting back the foreshotts and feints?

4372. Would it pay him?—I think it could be done undoubtedly. If people who objected to the taking out of the impurities in the patent still wanted them, we can put part of them back. I think the distiller might fairly say that.

4373. I mean the distiller with chemical knowledge?—Yes.

4374. A distiller with a patent still, for instance?—Yes, I think undoubtedly it could be done. If the objection is that you take too much out, and you say to the distiller you are taking too much out, it would be very easy to put part of it back?

4375. (*Chairman.*) I want to know a little more about this assistant who mistook you for a demented person when you asked, "Is this pot still or patent still"? It was not the proprietor?—No; this was at a club house where there is a kind of bar.

4376. Would you mind stating the sex of the assistant?—A man.

4377. That man, then, in his position would not have known whether the licensed victualler had paid 1s. 9d. for patent still, or 5s. 6d. for pot still spirit. But surely if the proprietor had sold you that, and you had asked him the difference he would not have regarded you as so demented. He would have thought you very shrewd, would he not?—I do not think he would have known. This was at a club.

4378. Do you mean to say price does not bring it home to his very heart?—I do not think so, my lord. The difference is not really so great as that. In the ordinary way he would not be buying either a pure malt whiskey or a pure grain whiskey. He would be buying a blend.

4379. Is your idea that no pure pot whiskey unblended is provided for retail sale?—I think that you can get it if you ask for a particular article. If you ask for a particular brand or the name of a particular firm which provides and sells pure malt whiskey, I think many of the licensed victuallers' houses keep that.

4380. Would that equally apply to pure patent still spirit?—I think that in recent times one probably could get pure patent still spirit.

4381. Now?—Yes, in some places. In Scotland you could have got it very long ago.

4382. Your knowledge is very great on this subject, and I ask you has it come to your knowledge that licensed victuallers as a practice keep the two kinds, pure pot still and pure patent still?—Not in a general way. I think in a general way all the whiskies they have are blended.

4383. If they do, is it to meet the tastes of their customers or is it a question of price?—I think it is undoubtedly to meet the tastes of their customers in a general way.

4384. You have made it clear, and I think rightly, that as a rule the ordinary customers know nothing of the differences between pot and patent still?—No.

4385. What is the use of keeping it for a set of people who do not know the difference?—They know they like a whiskey of a particular flavour.

4386. That I understand. It may be stronger or of greater bouquet, but if they do not know the terms it is no use saying to them, "Will you have pot or will you have patent"?—Not the least.

4387. You spoke of a time when you first entered school and commenced your studies on the subject of these two whiskies. I want you to go back to the time which I think represents the condition of most people—that is, your knowledge before you had trained on. What was your idea of the difference between pot and patent still when you were in that state of inexperience?—In those days, when I was in that state of inexperience, and I had a pure pot still whiskey and a grain whiskey side by side, and knew what they were, of course, I could tell the difference by the flavour, the pot still having a much higher flavour. Then, going a little further, having a blend of pot still and patent still, and comparing that with a pure pot still whiskey, one's first impression is that pot still whiskey is the finer article. In fact, I have gone through these stages myself, and I took to drinking pot still whiskey, but I found I very soon got tired of it. It clogs the palate; it is like eating very rich food. A piece of grouse may be a very much finer article than a piece of beef, but you very soon get tired of the grouse. I found that I went back to a blend.

4388. But I thought that was the time when you were comparing pure pot and pure patent?—I have drunk pure patent still spirit, and I have tried it for considerable periods.

4389. When you were trying pure pot still and pure patent still the difference, surely, of those two is marked and very clear?—Oh, yes; quite so.

4390. How would you yourself describe the difference as to strength, or flavour, or body, or what else?—There is a much fuller flavour, and the whiskey also has more body. It seems fatter as you swallow it.

4391. First, for medical purposes, would the pot still whiskey be a greater stimulant?—I should rather not give an opinion on that.

4392. You have studied this question so much that I thought I would ask that question. Now I want something from you as to the marks. If you saw written up "Scotch whiskey" or "Irish whiskey," and if you asked for Scotch or Irish whiskey, what do you think that represents, or what is it taken to represent rather by the general public?—I think Scotch whiskey represents to them something made in Scotland, and which has a particular flavour.

4393. To your mind would it include patent still"?—Undoubtedly.

4394. That is the difference between you and others as to whether Scotch and Irish whiskey does or ought to include patent still whiskey?—Quite so.

4395. You say it does?—I think it does undoubtedly.

4396. You have given us some remarks in your papers on grain spirit. What does that convey to the public in your opinion?—A kind of whiskey.

4397. But the word "grain" is largely used, is it not?—I do not think it is largely used by the public. It is in Scotland, perhaps. It is known in Scotland as grain whiskey.

4398. (*Dr. G. S. Buchanan.*) It is universally used in the trade, is it not?—Yes. It is in this way in the trade. A man who is ordering whiskey does not write and ask for grain whiskey or pot still whiskey, but he writes and asks for whiskey of a particular distillery.

4399. (*Chairman.*) But Dr. Buchanan is right—it is used in the trade. If you were to meet with grain spirit or grain whiskey what would that represent to you?—The term "grain whiskey" to me would mean patent still whiskey undoubtedly, but then I happen to know something about it.

4400. Supposing we were trying to communicate to the public what it was they were taking, what should you recommend, with your great experience, as being the differential description that should be made between the two whiskies?—I personally do not think it would be right to make a difference at the present day, because the public has been used to buying these articles as Scotch whiskey pure and simple, and if you differentiate, and that differentiation involves new labels, and a new kind of label, people will not comprehend that, but they will say: "Oh, this whiskey cannot be the same as it used to be, it must be a different thing," and they will go elsewhere for their whiskey.

4401. I presume your answer will include a blended whiskey, that you would have no expression of the differentiation by means of blend?—I think that any differentiation which would make a marked difference in a brand which has been built up on that label and on that brand would be extremely unfair, because people buy Mr. So-and-so's whiskey as "Scotch whiskey," and as "Mr. So-and-so's whiskey." If suddenly it is ordained that you have to put on that label, "This is composed of so-and-so" the man in the street does not understand what that means, but what he does appreciate is that there is some difference appar-

ently, and that Mr. So-and-so's whiskey is not the same as it used to be.

4402. Then you recommend everything to remain exactly as it is, without anything being done to inform the public?—I do not see any reason for altering things. I do not see the slightest reason.

4403. Your policy is rather conservative, Dr. Schidrowitz?—No, I think it is very liberal.

4404. I do not want to detract from your liberality, but you do wish the public to know whether they are getting Scotch or Irish whiskies, I suppose?—I think when a man asks for Scotch whiskey he ought to have it.

4405. And if he buys a bottle it would be well that he should know by the bottle whether it is Scotch or Irish. You have no objection to that, I suppose?—None whatever.

4406. Would you allow any information to be given as to whether the whiskey was malt whiskey, or distinguished from other whiskies made from other ingredients than malt?—I think that if a merchant who is selling a pure pot still malt whiskey desires to inform the public of that he is at liberty to do so.

4407. It is not a question for the merchant, it is a question for the public. We are looking after the public interest. Are the public entitled to know? I do not care a bit about what the merchant thinks. The question is what the public ought to know?—My view is this, that the public regard all these whiskies as Scotch whiskies.

4408. Ought the public to know the difference between getting malt whiskey and another whiskey? What is your definition of a whiskey which is sold as Scotch whiskey? What ought it to be?—A spirit distilled in Scotland from cereal grains.

4409. Any cereal grains?—Well—practically yes. In practice, of course, it amounts to this, that it is the grains which are used at present.

4410. Do you not think the public have a good deal of confidence in malt for the purpose of whiskey?—I do not know, my Lord, because if you take the Irish whiskey they use a very small proportion of malt.

4411. But the consumption of Scotch whiskey is very much greater than the consumption of Irish whiskey. Do you not think people are under the impression it is malt?—I do not think so. They do not know anything about the matter.

4412. Do you think they know much about rye or rice?—I do not think they mind as long as it suits their palate, and they like it.

4413. (*Dr. Adeney.*) The great experience you have of Scotch practice does not extend to Ireland?—No. I have some experience of Ireland, and I know some distilleries there, and I have samples sometimes from Irish distilleries, and I have examined a number of Irish whiskies, but I would not care to pose as a great expert on Irish whiskey.

4414. Just a question upon the taste of the man in the street. What would you think he would expect when he asked for a glass of whiskey?—I think he would expect to get what he has been used to consider Irish whiskey. I do not think you can go much further than that.

4415. I want to ask you one or two questions with reference to the papers you have handed in, reprinted from "The Analyst." I do not want to go into any details. I think your first paper on "The determination of higher alcohols in spirits" was reprinted in "The Analyst" of June, 1905?—Yes. May I point out that both those papers are by myself and Mr. Kaye. It is only fair to say that.

4416. In your first paper you dealt, I think, with the Allen-Marquardt process?—Partly, but I dealt more fully with the Allen-Marquardt process in the second paper. I deal in the first paper with the new process of Beckmann, that is the nitrite process.

4417. You give a number of details for accurate work with the Allen-Marquardt process, and you do make some reference to it in your first paper?—Yes.

4418. Can you refer me to the page?—It is on page 2. There we point out if you use an ordinary reflux condenser you get loss. You want a special form of condenser, or you can work with a sealed bottle. We find it is easier to work with a special form of condenser than the sealed bottle, and the losses which are obtained are recorded in the second paper.

4419. Can you give the reference to the second paper?—It is on page 1. We have the losses here working with amylic alcohol in carbon-tetrachloride solution. The average working according to the strict conditions of the process which are very necessary are on the whole very small, amounting to generally about five or six per cent. If you vary the processes you undoubtedly get variations of loss, and so on; but if you stick to the conditions of the process pretty closely, then you get very good results. If you look at table 2 on page 2 of the second paper, there we worked actually with 50 per cent. solutions of ethylic alcohol and extracted the higher alcohols. There, again, you have the percentage of gain and loss, amounting in most cases to very little. In some cases it is a little bit high, but I think we refer to those particular cases and show why they were high. But my experience generally with the process is that the more you work with it the more familiar you become with it, and the better the results.

4420. You have to serve an apprenticeship to it?—You do undoubtedly, and I may point out this: a great deal has been said about the Allen-Marquardt process, and Dr. Teed referred to some experiments he had made. But I can only say my experience does not confirm that, and I have dealt rather fully with the Allen-Marquardt process in a paper which I sent to the Journal of the American Chemical Society, and which is reprinted in volume 29, No. 4, April, 1907. I pointed out there that the Allen-Marquardt process is now officially used in the laboratories of the West Australian Government; it is now used exclusively in the laboratory of the Bureau of Chemistry at Washington; it is used, I think, by practically every worker at the present day who wishes to obtain serious results. I do not know what process is employed in our official laboratory here, but possibly you may get that from another source. The workers in the Inland Revenue laboratory of the United States in the paper I referred to yesterday also used the Allen-Marquardt process, so I think there is no doubt there is a consensus of opinion amongst serious workers that it is the only process which really is reliable.

4421. You have also dealt in this second paper with this colorimetric process. First, I should ask you, do you know as a matter of fact whether this colorimetric process is or is not the official process in France?—It is not official; on the contrary. It is used by the Paris Municipal Laboratory, but the official process in France (I had occasion to get to know this last summer when I was down in Bordeaux) is a modification of the Roese process, which is, if anything, more hopeless.

4422. (*Dr. Horace T. Brown.*) That is the chloroform method?—Yes. I asked them why they still used it, and they said they would much prefer the oxidation process; but Governments are conservative, and they had to go on at it.

4423. (*Dr. G. S. Buchanan.*) They have recently, have they not, set up some equivalent to a Court of Reference to work out official processes anew?—Do you mean in France?

4424. Yes?—Yes, I rather think they have.

4425. You do not know whether they have got to brandy yet?—I think that is only a question of territorial designation, is it not?

4426. It is analytical methods they are looking at?—I do not know about that.

4427. (*Dr. Horace T. Brown.*) Do you find the Roese method gives you at times negative results in whiskey?—Yes, it means you have the chloroform going into the alcohol instead of *vice versâ*. That is quite hopeless, and they have given that up too in the United States.

4428. (*Dr. Adeney.*) There is one point in reference to the Allen-Marquardt process that I should like to put to you. You had not at the time of reading that paper satisfied your mind as to the process succeeding in giving correct figures for the higher alcohols if propyl alcohol be present?—No.

4429. Have you no further information?—No, I have not done anything further in that direction.

4430. Would you as briefly as possible tell the Commission what defects you consider the colorimetric process in principle labours under?—The

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defects of principle are that the various higher alcohols produce very different colourations. The result is that unless you are working with the same proportionate mixture you are liable to get very serious errors. Then, again, in a paper read before the Society of Chemical Industry by Dr. Veley, he says that if you get the higher alcohols absolutely pure they give no discolouration whatever, therefore your standard solution depends rather on the amount of the impurity it contains, which makes the thing more hopeless than ever. Those are the chief defects in principle. Then there are defects in practice, which may be briefly summed up in this way. There is the defect that people work in all sorts of different ways. Some work at the naked flame, and some work in the water bath, and you get very different results curiously enough, although you ought to get the same results using your control in the same way.

4431. I can confirm that from my own experience in the same direction?—Then there is the de-aldehyding agent that the French people use, the metaphenylenediamine hydrochloride. The result is that you get either a fluorescent solution or a fluorescent distillate. When you have a fluorescent solution I almost invariably find you have furfural in your distillate, and I rather think that may account for some of Dr. Teed's high figures—he had not got rid of all the furfural.

4432. There is a re-agent by means of which it is possible to satisfactorily separate the aldehydes, including furfural, is there not?—Yes, I think the best re-agent is the one which we call Hewitt's salt. Those are a few of the defects. I think there are others.

4433. Is it possible, do you think, to get accurate results using isobutyl as the control for whiskey determinations owing to the difference of shade of colour?—No, I am afraid not.

4434. Is not it a matter that depends on individual judgment?—Very much, and it depends so much on the means of heating and the purity of your control, of course.

(Adjourned for a short time.)

4435. (*Dr. Adeney.*) The next section in your proof deals with the question of public health. I believe you do not claim to have any medical qualifications?—No.

4436. But you have had opportunities of observing the effect of pure patent still spirit on the system, have you not?—I have. I have taken it myself, and I have given it to people at my house, and they have not noticed the difference. They have said: "What a beautiful mild whiskey this is." That is all I have been able to gather, and I have myself drunk it for a considerable period.

4437. You have had no complaints from your guests the next day?—No, none whatever.

4438. (*Chairman.*) That is a pure patent still whiskey?—Yes, my lord. I think there is no question now as to its not being deleterious. I do not know whether it is worth while saying much about that, but the only point I should like to draw attention to is that if whiskey were to be regarded as a drug, if it were to be put into the Pharmacopœia, and if it were to be held that the bye-products, as far as we know them, are important medically, then one would have to pretty strictly define the particular type of whiskey that would have to be used, because, assuming that a certain proportion of these bye-products had a certain medical effect, it would obviously be wrong to give medically a whiskey having either half that amount or, on the other hand, having double that amount. Assuming that the standard type of malt were of the Speyside type, it would be equally important that the patient should not receive an Islay, and he should not receive a patent still whiskey. Speaking without any reference to the medical effects, of which I personally know nothing at all, I merely point out the wide difference in the constituents of the whiskies themselves if there was any question of whiskey being used as a drug, and if it were assumed that these bye-products had specific therapeutic or pharmacological effects.

4439. Can you give us any information as to the character of the cheap whiskies sold in low-class public-houses?—Some time ago I had some whiskies collected in the lowest districts of the East End along the river, and I have some of those samples here. I think it might be interesting for you to see them. I have some Scotch and some Irish samples, and I think that all one can say about them is that they are rather poor at the price. Considering the price, the flavour, and so on, it is by no means what it might be; but I do not think there is any question at all, even in these samples, of anything fiery or virulent, or anything of the kind of thing that we hear about.

4440. Nothing poisonous?—No, nothing as far as I can find out.

4440*a*. That is for the price of it?—For the price paid; I think they are expensive. I have here an Irish whiskey which works out at 18s. 4d. I have put the prices on in pencil worked out at a proof gallon. I have here an Irish whiskey at 18s. 4d., a Scotch whiskey at 16s. 9d., and an Irish at 7s. 6d. That is a fair price in this particular case. I have here a Scotch whiskey at 18s. 2d., and a Scotch whiskey at 20s.

4441. Does it work out at that price by multiplying a glass until it comes to a gallon?—That price is worked out to the proof gallon.

4442. But is that taking the price that you buy it at by the glass, or how do you buy it?—These were bought by the quart. A messenger went in and asked for a quart of whiskey. I will put these samples in. I might say that some years ago I had a sample shown me which was said to be used as whiskey that undoubtedly was of a fiery and virulent order, but I have very grave doubt now whether that stuff really was made for potable purposes. I have never personally been able by messenger to get anything of the kind.

4443. Where were those samples from?—From the East End of London, somewhere about the docks. We tried at as low a class of house as we could possibly get. Those were the instructions to the messenger.

4444. (*Dr. Adeney.*) You, perhaps, have not seen any samples of a whiskey that is complained of in Ireland very generally, whiskey sold at Irish fairs?—No, I am afraid I have never come across it.

4445. Have you made any experiments in reference to the presence of alkaloids or nitrogenous bodies in whiskey?—Yes, I have; you will find the result in Appendix 12. I hand in a number of analyses of the quantity of nitrogen (as ammonia) in the usual terms. I think those are the first figures ever published on the subject of nitrogen. (*See Appendix E, XII.*)

4446. What is the process?—Shall I read it?

4447. Please?—"The method of estimating the nitrogen was as follows: To 200 c.c. of the whiskey 0·2 grams of tartaric acid were added, and the whole evaporated to a small bulk." We adopted that method because Guareschi and Mosso had adopted that method of retaining the nitrogen by means of tartaric acid. "The residue was transferred to a flask, made alkaline with caustic alkali, and then steam distilled. The distillate was again rendered acid with tartaric acid, evaporated to a small bulk, transferred to a Kjeldahl apparatus, and treated in the usual manner with strong H_2SO_4 and K_2SO_4. The ultimate distillate was Nesslerized." The amount of ammonia would be too small for titration.

4448. The results you have got were obtained in that way?—Yes, they were obtained in that way. Then you will notice there are also some American analyses of two American rye whiskies, and they show appreciably higher nitrogen contents, which is rather interesting.

4449. Have you any explanation of that?—No, I think not, except probably it is due to the nature of the grain.

4450. Not to the cask?—It may be due to the charring of the cask. One would get a certain amount of tarry matter formed, and you might get more nitrogen in that way.

4451. Do you know as a matter of fact whether the casks in the case of those American rye whiskies were charred casks?—I think they are practically universal, almost absolutely universal. There are some interesting points which we noticed in making

our nitrogen estimations, namely, after the first steam distillation the distillate had a distinct odour reminding one somewhat of tobacco smoke, and this was particularly noticeable with the heavy malt whiskies, and when one acidified this liquid this particular odour disappeared, and of course that points to a basic substance. It is interesting to notice that in some of the heavier malt whiskies when you distil with alkali you get a greenish yellow coloration in the distillate, and that also disappears if you acidify. That rather indicates that further study of these basic substances might be of very distinct interest, particularly as people have made remarks in the past about alkaloids and so on in whiskey. I have tested a very considerable number of whiskies with alkaloid re-agents.

4452. But you have not been able to detect any?—No, I have not been able to detect any; I have never been able to detect anything. I will formally hand in Appendix 12. (*See Appendix E, XII.*)

4453. (*Mr. Guillemard.*) Could you give the Commission any idea of the extent of your inquiries when you were looking for the very bad whiskey? What period did it extend over?—These samples were collected about two years ago now, and the number of samples purchased, I think, were about seven or eight at different public houses in the East-end along the river side.

4454. You have not conducted a systematic inquiry?—No, I only mean this, that as far as we have gone we have failed to discover anything.

4455. A thing that is often alleged is the prevalence in certain low houses of whiskey that is very dangerous to health. Have you any knowledge, apart from this isolated experience, of the truth or otherwise of that?—I have never come across it. Years ago I was shown a sample of the stuff.

4456. It was quite distinct from pure whiskey?—Yes, it was quite distinct from pure whiskey, and it was then stated to me that it was used for and sold as whiskey in low districts. I have reason to think I was misinformed, and I think it was probably a spirit for methylation.

4457. I have seen statements, and in fact some communications have been addressed to the Commission, in which it is said that in certain parts, in public houses, and places like fairs and race meetings there is not only a very inferior but a very dangerous and poisonous spirit sold. The same thing was said before the 1890-91 Committee, though I do not think they had very much evidence about it; but I am asking you whether you have any knowledge, not necessarily your own experience, but whether you know whether such spirit has been found in any considerable quantities as apart from public rumour?—No, I think that Dr. Tatlock, the public analyst for Glasgow, made some investigations at fairs and places like that, and did his best to try and get samples of this particular type of whiskey; and I think he failed altogether.

4458. Do you remember when that was?—I think that is about 10 years ago, but I am not sure.

4459. It was in evidence in the 1890-91 Committee?—It is about 20 years ago.

4460. I almost think it was in evidence in the 1890-91 Committee. But you have no first-hand or second-hand experience since then that carries you further than that?—No, none at all.

4461. You have given us your own opinion that it does not exist to any very great quantity?—I do not think it does myself.

4462. That is only your opinion, as distinct from experience.

4463. (*Dr. Adeney.*) That was in the whiskey case.

4464. (*Mr. Guillemard.*) Very well. Has the use of a charred cask ever been tried in the United Kingdom for any potable spirit?—I think a lightly charred cask has been tried.

4465. For what?—For whiskey.

4466. Do you know how it worked out?—I do not think it worked very well, I am not quite sure. I think possibly if you were to ask some of the blenders who come here they might be able to tell you. I rather think it has been tried, but I do not think it worked particularly well as far as I know.

4467. Have you any idea why it should be in universal use with grain spirit in America and yet should not be worth trying over here?—I think it is purely a question of flavour, and that you may get a distinct flavour from a charred cask which does not go well with Irish or Scotch whiskey.

4468. It tends to go well with the maize flavour?—No. I think it tends to give the flavour that comes from the charred wood that the American people like.

4469. (*Dr. Cushny.*) Do you think that the pot still whiskey will stand greater dilution than the patent still?—I think that only applies to a very limited extent. I think one of the chief reasons why one drinks an alcoholic beverage is on account of its alcohol. If you have too strong a flavour as apart from alcohol, and you try and dilute your flavour down to a certain point, you are very liable to render the alcoholic contents so low that you get an insipid beverage.

4470. But do you not think that a good many people appreciate the flavour of the whiskey that they drink as well as the alcohol?—Undoubtedly.

4471. There is so very little flavour in patent still relatively that if they diluted it to an equal extent with the pot still they would have no flavour at all practically?—I think it is only a question of degree. Personally, I have drunk pure patent still spirit for weeks on end, and diluted it in the ordinary way, and yet had quite sufficient flavour. I do not say it is the type of spirit I personally prefer, because I prefer a blend, but undoubtedly there was still sufficient flavour, as far as my palate went, to render it quite an agreeable beverage.

4472. Do you not think it would have considerable influence on the public health question if it was found that the patent still whiskey was taken in a more concentrated form than the pot still?—I do not think so. I do not think it works out in that way. I do not think so, really.

4473. You do not think the patent still is taken in a more concentrated form?—I do not think so. I have seen statements to the effect that a man who drinks patent still whiskey or a blend containing a higher amount of patent still whiskey will want more to satisfy himself, and so on; but I should think that only applied to very exceptional cases. I do not really think there is much in that.

4474. It is not a matter of more but a matter of greater dilution?—Quite so. I think if you take a pure patent still spirit—in the ordinary way there is no question of pure patent still or pure pot still, but it is a question of a blend—but even if you take pure patent still, I think with a fair dilution you will get sufficient flavour to satisfy you if that is the type of whiskey you like. That is the conclusion I have arrived at.

4475. (*Dr. G. S. Buchanan.*) The patent still spirit you drink yourself and give to your friends, I take it, is a matured spirit?—Yes.

4476. It is not a new spirit?—Certainly not. You will understand that I have only done that experimentally, and that I do not as a rule drink a grain spirit, because I prefer a blend.

4477. I quite understand that, and I quite followed all you have said about the importance of knowing what bye-products you were ordering, supposing you were giving whiskey as a drug, and you attach value to the bye-products. But, after all, is not this another question of degree? The same sort of argument would apply, we will say, to the difference between burgundy and port with regard to the question of giving a man burgundy or port during convalescence from illness or anything of that kind. You could not exactly specify all the particular bye-products and ethers and things that ought to be in the port or burgundy, but you could make a broad distinction between the two wines?—I rather think to get an analogy there one ought to compare different types, say, of burgundy and different types of claret—and not compare two entirely different classes of wine.

4478. I thought you told us in your *précis* that there were differences between these whiskies—that the difference between different kinds of grain whiskey and different kinds of malt whiskey in themselves were as great as between burgundy and claret?—I do not think so. I think I said something of the sort as to the differences. I would put it in this way:

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"Our remarks in this respect are to be taken as referring to individual members of the same class, for it is out of the question to compare the various classes with one another, as such a proceeding would be about as reasonable as comparing burgundy with claret or wines of the Rhine with those of the Moselle or stock bitter ale with a mild beer." What I mean is this. For instance, for a comparison take claret. You have the heavy St. Emilion wines, which are almost burgundies in character, they are so heavy. Then you have the light wines of the Cotes. And as intermediaries between them you have the Médoc wines; then you have a different type in the Graves. Those are all clarets, and yet they are distinctive wines. If a medical man is ordering claret for any specific reason, I think he ought to know something about it, and to know the type of wine he means to order, because a man who might stand a light Graves or a light Médoc wine might possibly not do with a heavy St. Emilion.

4479. But if the doctor cannot get accurate descriptions, which are inexpedient, according to you, he is not likely to make progress in knowledge until he gets them?—I think the medical man might know more about these things than he does as a rule, with all respect to him.

4480. He does not get trade descriptions to guide him?—I do not think it is a question of trade descriptions guiding him, but I think it is a question of his educating himself up to these things.

4481. (*Chairman.*) You recommend that the medical man should gain personal experience?—I think so.

4482. (*Dr. G. S. Buchanan.*) With regard to the samples you get from public-houses. What could you do if you had samples that you suspected to be poisonous, or especially deleterious? What do you do analytically?—To begin with, I should always taste the sample. I should get some line that way. If I got a high amount of nitrogen, or an exceptionally high amount of higher alcohols, or if I got evidence of a large amount of pyrrol, or any of the products that are likely to be present in methylated spirit, one could do all those things. I think in 9,999 cases out of 10,000 you would probably find nothing. Even now in the text books there is something to the effect that pepper and tar and all kinds of things were used to adulterate spirits with, but personally I have never come across such a case. I think it is high time that these things were taken out of the text books.

4483. It is the gross additions of that kind rather that you are speaking of. With regard to the amount of the sample collected, if you asked a man in a public-house for a quart bottle would he not think it rather suspicious, and would he give you the worst whiskey?—I think the messenger asked for a quart of Irish, or a quart of Scotch.

4484. It is common experience in sampling under the Food and Drugs Act that if you ask for an unusual quantity of any substance, they at once think that you want it for analysis?—I think in this case the messenger was suitably attired so as not to create suspicion.

4485. But retailers have heard of that too?—Anyhow, I did my best to collect bad samples and I failed.

4486. I recognise that, of course. The samples you have tested for nitrogen and for the presence of alkaloids were samples that had come to you in the ordinary way?—Yes, they were authenticated samples. I know they were all either Highland malts or Campbeltown's, or grain.

4487. But they were not separate samples of whiskies that had been associated, or suspected to be associated, with alcoholic neuritis, or any particular disease?—No.

4488. (*Dr. Horace T. Brown.*) You have given interesting evidence on a matter which may be of some importance, that is on the question of nitrogen contents of the whiskies. In the first part of your table, am I to understand that these nitrogen values represent the total nitrogen in the whiskey, or the amount of nitrogen which you were able to distil off by steam distillation by the method described below?—They were the means found by the method given below.

4489. Did you ever determine the relation of those numbers to the total nitrogen in the whiskey?—We tried by this method to get the total nitrogen. I do not see how you could arrive at it in any other way.

4490. For instance, after rendering your solution alkaline and distilling off with steam, could you determine the amount of nitrogen in the residue?—I assumed that if there was any nitrogen there it must be all volatile because the spirit has all been distilled

4491. Initially no doubt?—Initially.

4492. But you did not attempt to see if you had got the whole of it by that process of steam distillation?—We did not make a determination of the residue. If I understand you correctly it is this: that you think that although initially it might have been volatile, it might have condensed and formed a non-volatile product later.

4493. So you might have some nitrogenous matters derived from the cask which were non-volatile?—These were all new whiskies.

4494. You have never determined whether nitrogen decreases or increases with age?—No, never.

4495. Have you formed any idea as to what these nitrogenous bodies are?—I should think to a considerable extent they are probably ammonia, ammonia salts, amines, and products which one would expect to get to a certain extent on dry distillation. For instance, I did detect in one whiskey a trace of pyrrol.

4496. Would your pyrrol come over after having rendered the solution alkaline with caustic soda?—It might have resinified previously.

4497. The bodies you brought over might probably belong to what chemists call the cyclic nitrogen bases, such as pyridine, or something of that kind?—Your pyrrol would probably come over from an alkaline solution. I had some experience of that, because we distilled vast quantities of yeast, and we got huge quantities of pyrrol, and similar bodies, which do resinify enormously in acid solution.

4498. These bodies could not have been derived from the peat used for drying the malt?—I think that is probably where they do come from.

4499. But your very largest amount is in Lowland malt, where, I believe, peat is seldom used for drying off the malt?—No, it is still used, but not so much as formerly.

4500. You have them also in the grains to a very large extent?—Yes. There, of course, they would use a fair amount of malt.

4501. You do not think it is unlikely that they are derived from the fuel used in drying the malt?—I think that a part would come from that undoubtedly. A part might come from the wash.

4502. If they were pyridine bodies, or bodies analogous to that, these figures representing the nitrogen would require multiplying by five or six probably?—By about five or six.

4503. Then you say you have tested for alkaloids. By alkaloids, I suppose you mean the oxygenated bases, bodies like creatine, xanthine, and so on?—No, I had more in mind bodies like strychnine, and so on, because there had been statements to the effect that volatile bodies had been found in spirits obtained from decaying grain which had an effect similar to strychnine.

4504. I rather gathered that you were trying to determine whether any of these nitrogenous bodies in a whiskey were ordinary oxygenated bases or not. That was a question of adulteration that you were alluding to?—No, not of adulteration, but a question as to whether there was anything in the suggestion that you might get a volatile alkaloid body in the spirit.

4505. Do you not think that those observations are well worth following up, because some of these bases have strong physiological action, and if there is anything in the idea it is rather important to know more about it?—I think it would be interesting to follow up this question as to what these nitrogenous bodies are, but, personally, I do not think you would get anything in the way of alkaloids. I do not think so.

4506. (*Chairman.*) You have given whiskey a good character. Would you say there is no class of whiskey, as far as you know, which is what we call vicious, or injurious to health?—Yes.

4507. That is your view?—Yes.

4508. That does not apply, I am afraid, to all spirits. Take gin. There are some very vicious gins of low qualities, are there not?—I am afraid I do not know very much about gin. I am afraid when you get spirits which are made in tropical countries, where industrial knowledge is not very high, you sometimes do get spirits which are very bad.

4509. Will you take brandy, for instance? Do you get vicious qualities of brandy?—You get it in cheap brandies and cheap liqueurs—and in what they used to call Cape spirit.

4510. Would that be mostly in foreign brandy, or in British brandy?—I do not think there is anything of that kind in British brandy. British brandy is, I think, a very harmless liquid.

4511. Have you any knowledge as to whether there has been of late years an increased demand at certain public-houses for a very much cheaper whiskey than previously existed?—I do not think I could speak to that. I am afraid my knowledge scarcely extends to that.

4512. At any rate, you think that, however cheap it is, it must be probably only loss of strength, and that it does not amount to anything that is destructive to health?—That is my absolute opinion.

4513. (*Dr. Adeney.*) We will now go to the next section of your proof: it is with regard to the declaration on labels?—I think that was dealt with by the remarks of the Chairman this morning, and I do not know that I have anything to add to that except that with regard to use it is sometimes said that grain whiskey is used merely for cheapening. I can say I have personal experience of blends. I have seen the blending books, and I have seen the blending sheets, and so on, of whiskey, which is sold at as high a price as 25s. a gallon—that is without duty—consisting of very, very fine whiskies; and even there as much as 5 or 10 per cent. of grain whiskey would be put in in order to throw the malts together, and in order to prevent blueing, and so on.

4514. (*Chairman.*) Is that new whiskey?—No, my lord, 25 year old whiskey.

4515. That would be an enormously high price?—Yes, it was an enormously high price, but it was a very fine whiskey—the one I am referring to.

4516. (*Dr. G. S. Buchanan.*) And a fine old patent spirit was used?—Yes.

4517. (*Dr. Horace T. Brown.*) You regard a patent spirit as necessary for what you call marrying?—Yes, for the marrying, and also to prevent blueing.

4518. There is something in that?—Undoubtedly; and another thing is this, that I think also to the palate the patent spirit produces a somewhat cleaner effect. It throws the malts together, and they are not so cloying on the palate when there is a little grain whiskey added.

4519. (*Dr. Adeney.*) Would you describe them as not so oily?—Yes, not so oily and not so fat. I think you will see that in a blend of that class which is being sold at 25s. ex duty, an amount of 5 per cent. of grain whiskey, of which the price might be, perhaps, 2s. a gallon less than the malt, amounts to nothing at all practically. The blender would not do it if he had not some specific object.

4520. (*Mr. Guillemard.*) That would be 72s. a dozen to buy?—Yes.

4521. Without any profit?—It would be more than that. It would be a whiskey which probably would sell at 80s. It would be quite an exceptional whiskey.

4522. (*Dr. G. S. Buchanan.*) A bottle of wine is sometimes used for the purpose of marrying or assisting a blend?—I have never heard of it.

4523. (*Dr. Adeney.*) This great body of oiliness you refer to is characteristic of some of the Scotch pot still spirits?—Undoubtedly.

4524. But is not characteristic of the Irish whiskies, is it? For instance, would Jameson's or Power's whiskies be improved, do you think, by blending with patent still spirit?—I really should not care to say.

4525. Why I asked you was, that I gathered from your evidence there was a distinct difference between many of the Scotch pot still whiskies and the Irish in that particular of oiliness?—Yes, I think there is; there is a class difference.

4526. Now we might go on to the next section—that is, as to the limit of age. Do you consider an age limit necessary or desirable?—I think that if it could be done, if there were no objections to it, the consumer would certainly benefit if there was an age limit. He would certainly get a better whiskey all round. Whether it would really affect his health beneficially I should not care to say, but he would certainly be getting a better whiskey, and when one gets a thing which is good and which one likes, one feels happier, and one's general state of health is better on that account. Whether there is anything actually deleterious or harmful in the new whiskey I rather doubt, because in Scotland you find that many of the workmen in the distilleries prefer it new straight from the still, and they live to a good old age. I saw a man at one of the distilleries who was getting on for 80, and he had had whiskey new from the still every day of his life since he had been at the distillery, where he had been for many years.

4527. What is the effect in your opinion of ageing?—I think that we have a little more knowledge now than we had on the subject of ageing. I think there are two main processes: there is the disappearance of small traces of substances, such as pyrrol, sulphurous acid, sulphuretted hydrogen, and perhaps traces of nitriles. That is one thing. We have, with the exception of the nitriles, which I suspect for another reason entirely, found traces of these bodies in new spirits, and undoubtedly they are all bodies which in time would tend to disappear by oxidation or condensation. Then hand in hand with them undoubtedly there is a development of ethers and of acidity, which probably causes an increase in bouquet and roundness; but I think, if you were to take the new whiskey and to eliminate from that these small traces of undesirable things, you would probably have a potable whiskey straight away. But the secondary development makes the whiskey finer, but it is not absolutely necessary as far as making it potable goes.

4528. But as far as the quality is concerned, you have a development of new constituents?—Undoubtedly. That is set out very well in that table which I have referred to before—that is, the American paper published in January—which shows that there is a balance between ethers and acidity at the end of three years; that they then reach a point when they are both about equal in quantity, at any rate, as far as American whiskies go.

4529. So to that extent age improves the value?—I think so undoubtedly. There is no doubt about that, because one need only look at price lists in the trade to see that.

4530. Does that refer to patent still spirit?—I think so undoubtedly.

4531. Have you found these constituents which you say disappear on maturing in the patent still spirit as well as in the pot still?—To a far smaller extent. The only sample in which I actually detected pyrrol was in a heavy pot still whiskey.

4532. What did you find?—Traces of sulphurous acid and hydrogen.

4533. Nitriles?—I have not found nitriles, but what led me to think traces of nitriles might be there was from some work which we did, which actually arose out of this: We distilled a large quantity of yeast—several tons, in fact. There is a paper on that subject; I do not know whether you would care to see it, as it is in an entirely different direction, but it might be of some interest. We got among other things in the yeast trial a large quantity of nitriles. I had on occasion in new whiskey perceived an odour which was very reminiscent of this nitrile smell, and it was that which led me to think that in new whiskey we might have traces of nitriles. Whether there is anything in that I do not know, but it struck me it was very possible.

4534. There are good reasons why a matured whiskey should be protected if possible?—I think so, undoubtedly.

4535. Are there to your knowledge, from a trade point of view, any serious objections to putting an age limit upon whiskies?—As far as I know, and as far as the whiskey trade is concerned, I do not think

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there is any very serious objection to a moderate age limit.

4536. What would you call a moderate age limit?—I think two or three years. I do not think the trade as a whole would object to that. I am not speaking for them, and I do not wish to bind them or myself in any way; but I do not think that the bulk of the trade would object—in fact, I think a large portion of the trade would welcome it.

4537. Do you think two years would be sufficient to get rid of these undesirable constituents?—I think practically all whiskies would be drinkable at the end of two years. I would not go so far as to say that these undesirable constituents make the whiskey poisonous or actually deleterious, because we really have not got sufficient evidence.

4538. But they are undesirable?—Yes, they are undesirable, at any rate from the point of view of flavour.

4539. But you would not say so much from the point of view of health?—No, I think we should have to know rather more on the subject before we could speak about that.

4540. Do you know of any means that could be taken to make regulations for an age limit effective?—I take it if an age limit were imposed it would be within the power of the Excise to see that nothing was cleared from bond under a certain age, and unless it were for purposes of methylation I should think it could go under a methylator's bond to the methylating establishment.

4541. I take it you would submit patent still spirit to the age limit as well as the pot still?—Of course, the patent still spirit takes less time to mature, but I do not think there would be any objection to putting it at two years all round.

4542. (*Dr. Horace T. Brown.*) I do not quite understand why you propose an obligatory time limit when the flavour itself is settling the matter at present. You say that the public will not take very new whiskey. Is not the trade settling that matter in the light of public opinion? Do you think it requires legislation in order to enforce that?—I do not think a case has been made out for legislation on the ground that young whiskey is absolutely deleterious to health. I do not think a case has been made out for that. All I say is that as far as the consumer is concerned I think he would probably be getting a better article. I am speaking now of the cheaper whiskies, and this does not apply to the higher class whiskies at all. If you take any well-known brands this does not matter to them a bit because all their stuff is kept in bond for four or five years at least; but taking the cheaper whiskies I think the consumer would be getting a better article. I do not say it is necessary because I do not think a case has been made out strong enough to show that it is absolutely deleterious.

4543. I suppose many attempts have been made to produce in a short time, artificially, the usual effect of age in whiskies?—Yes.

4544. There are a great number of processes, are there not?—Yes. I have a few samples which might interest you. I have here some spirit from that continuous still which was treated with charcoal, and I think it has aged it rather appreciably. That was in the laboratory.

4545. Is the effect quite in the direction of ordinary ageing?—I think so.

4546. There is a process for separating the aldehydes and furfural in whiskey—that is Dr. Hewett's process?—Yes.

4547. What is the effect produced by that? Is it analogous to the effect produced by ordinary age?—It certainly does produce an effect similar to that of ageing. If you take a whiskey and distil it, and put Dr. Hewett's re-agent into the low wines still and then compare that with whiskey without it, undoubtedly the whiskey treated with that re-agent has an apparent age of about a year or 18 months beyond that of the new whiskey. But I should not go so far as to say that if you took those two whiskies at the end of five years that the one which had been treated would be as fine a whiskey as the one which had not been treated.

4548. Is the process sufficiently old to have given us samples of that age?—I think Dr. Hewett would probably be able to produce something in that line.

4549. You suggest that the alteration produced by the phenyl-hydrazine-sulphonate of sodium method are in exactly the same direction as the alteration produced by age?—I do, to a certain extent. I think it is essentially a de-aldehyding agent. Whether it takes out anything else as well I do not know; possibly it does; but it certainly reduces the furfural which also occurs in ordinary cask maturation of Scotch and Irish whiskies, and not in American whiskies, because there they get an increase in furfural from the cask; and it also reduces the aldehydes generally.

4550. Do you find, as a rule, less aldehydes and less furfural in old whiskies than in new whiskies?—Less furfural, but not less aldehydes.

4551. (*Dr. G. S. Buchanan.*) Could you tell us what are the important factors in maturing as regards the casks themselves. What ought a cask to be made of, for instance?—They are usually made of American oak.

4552. You can get your maturing changes with a plain oak cask as well as from a sherry cask?—Undoubtedly, except that I think the sherry casks hasten maturation, quite apart from the sherry flavour. I think there is no doubt about that, because I think that by far the greater part of whiskey is matured in plain wood. There is not sherry enough to go round.

4553. As a practical matter, are the casks that are used in distilleries or bonded warehouses for maturing generally about the same size?—Yes, as a rule. There are two sizes: there is the cask and the butt, which is a much larger cask.

4554. I suppose the amount of surface has something to do with the rapidity of the change?—I should say so, decidedly.

4555. (*Mr. Guillemard.*) I want to ask you one question with regard to the compulsory age of spirits. I quite realised that your opinion did not amount to a very definite recommendation that there was a necessity for compulsory ageing of spirits. I think it amounted only to something rather tentative, that you thought, on the whole, the consumer would get something rather better and nicer?—I think that is what it amounts to.

4556. Looking back to the Report of the 1890-91 Committee, the question of age was one of the things they took a very definite line about. They put into their Report their opinion that compulsory bonding of spirits for a certain period is unnecessary, and would harass the trade. You could not speak for the trade?—No.

4557. They further said it is not desirable to pass any compulsory law in regard to age; and altogether they said a good deal about it in their Report. For instance, they say this: "The testimony was practically unanimous that compulsory bonding would harass the trade, and was altogether unnecessary. This opinion was given by experts from England, Scotland, and Ireland. They stated there was a growing demand for old whiskies, and that this was sufficient to induce vendors to keep spirits in bond, especially as the rise in price paid them for doing so." I have no doubt you are familiar with what I am reading to you?—Yes, quite.

4558. Do you think that the trade generally will concur in your view that, on the whole, the ageing of spirits could not be regarded as harassing?—I think, though I may be wrong, that you will find a considerable section of the trade will raise no objection.

4559. I have noticed that during the 1890-91 Committee the trade, as far as I remember without any variation, all expressed one opinion—that it would be harassing?—Yes.

4560. While before us some traders have taken the line that they would not object to it?—I think there probably has been some modification, at any rate, in a very considerable, I will not say very large, proportion of the trade.

4561. Have you formed any opinion as to the explanation for that, because they formerly took a very definite line? They took the line that the compulsory ageing was obviously a good thing for the pot still product. They said it was plainly necessary, and that before you can drink it you must mature it; that on the other hand, the patent still product improved only slightly with age, and therefore they said that compulsory bonding would handicap the patent still men,

because it would be making them do something which was not really necessary. Do you think the opinion on that point has altered since?—I think it has been modified to some extent. I would not speak with any certainty on that. I have spoken with a good many people, both in the patent still trade as well as in the pot still trade, and as far as they are concerned, they do not seem to raise any objection.

4562. The reason that I ask you was that up to now this Report of the 1890-91 Committee still holds the field unless it is shaken by anything that is decided by this Commission?—Yes.

4563. And this is the first point in your evidence that I know of where you take a line counter to that Report?—It was really rather a suggestion—a modified opinion—and I really do not express any definite view on it. My view is that if the trade can accept it, and if they no longer think it harasses them, on the whole the consumer would be the gainer. I think that is about all it amounts to.

4564. (*Dr. Horace T. Brown.*) Might you not also use the same argument with regard to wine?—Yes, I think you might.

4565. (*Chairman.*) I think the result is, you do not give a very confident opinion on the subject?—I am afraid not.

4566. (*Mr. Guillemard.*) At any rate, in this respect you still concur with the 1890-91 Report that you do not think there is any question of public health in the compulsory bonding?—I do not think there is sufficient evidence there to express any definite view.

4567. (*Chairman.*) The Commission are much obliged to you for the very valuable assistance you have given them by your evidence.

The witness withdrew.

Mr. Archibald Cowan, called.

4568. (*Chairman.*) You are senior partner of Archibald Cowan, Mason, and Co., wholesale wine and spirit merchants, of Leith?—Yes.

4569. How long have you been in the trade?—For 58 years.

4570. What has been your particular trade? What have you been dealing in?—For the first five years I was with John Gray and Sons, wholesale and retail general grocers and dealers in whiskies and wines.

4571. Will you keep to whiskies for the moment. Where did you obtain your whiskies from?—We got our whiskey from Haddington—that is patent grain whiskey—and a very small portion from Islay—the Bowmore Distillery.

4572. Have they a distillery there now at Haddington?—No, it has ceased.

4573. What did you get from them?—A patent grain whiskey.

4574. That would be patent still?—Yes.

4575. What did you get from Islay?—A pure malt whiskey.

4576. Did you blend?—Yes, with pot still. We did not blend any at that time, but we sold it pure.

4577. According to the will of the customer?—Yes.

4578. What did you find as to the demand? Which had you the greater demand for?—We sold about 90 gallons of patent whiskey to 10 gallons of pot still.

4579. How do you account for that? Do you think the excess was produced by people wishing to have it because they liked it?—The flavour was too strong. They did not like so much flavour with the whiskey.

4580. Was the price too high, do you think?—The price was not so very much dearer at that time. We sold the whiskey at that time at from 5s. to 7s. 6d. a gallon according to strength.

4581. Which was that—the pot?—Both pot and patent.

4582. Did you pay the same price?—No, we paid a little less.

4583. A little less for which?—For the patent.

4584. I will not inquire too much, Mr. Cowan. In your neighbourhood what is the meaning generally applied to the words "a little less"?—We paid about 10d. a gallon less for the patent still.

4585. That is nothing in Scotland, is it? Are these the only two whiskies you kept, the patent and the Islay?—Those were the only two when I was in Dalkeith—that is from 1850 to 1855.

4586. Then you went to Edinburgh?—Yes, I went to Edinburgh after that, and I was a partner there for 35 years with wholesale whiskey merchants.

4587. In what capacity were you at Edinburgh?—The first two years I was the cashier, and after that I was three years travelling in Scotland, and after that I was assumed a partner.

4588. In what house?—Archibald Aikman and Co.

4589. What did you deal in?—In general groceries, sugar, tea, whiskey and wines.

4590. What whiskies did you deal in?—Cambus whiskey and a patent grain whiskey made at Seggie, near St. Andrews.

4591. What was the Cambus whiskey?—Cambus patent.

4592. Was the grain whiskey from any distillery?—From Seggie, about four miles from St. Andrews.

4593. Did you deal in any pot still whiskey at all then?—Yes, we used to get a very, very small portion from Balblair, in Ross-shire.

4594. And you sold it pure?—We sold it pure. We had no blending at that time.

4595. What was the difference in price between those two?—Much about the same—about 10d. to 1s.

4596. And the little less you speak of is the same?—Yes, about 10d. to 1s.

4597. Did you find that the public were asking for patent whiskey as such, or did you give it to them? When they said, "Give me whiskey," should you give them patent whiskey?—They asked for whiskey only. They never asked for any malt whiskey, or patent whiskey; but they simply said that they wanted a bottle of whiskey—a good whiskey.

4598. They would not say Scotch whiskey, but simply whiskey?—Just whiskey.

4599. How did you discriminate? Did you ever give them pot whiskey unless it was asked for?—We would have some people who would ask specially for pot whiskey—Highland whiskey, but very few.

4600. Was that what they knew it by—by the name Highland whiskey?—Yes, Highland whiskey.

4601. Did you make any difference in your price?—Yes, we used to. The wholesale price was about 2s. a gallon, duty paid, difference.

4602. What is your idea as to the relative merits of these two whiskies, patent and pot still whiskey?—For the last 35 years I have drunk at home myself two-thirds grain whiskey and one-third malt.

4603. What was the malt?—The malt whiskey is composed sometimes of spirit from two or three different malt distilleries, and the grain is composed, perhaps, of spirit of two distilleries—a blend. I prefer that, it is mild and very nice, and agrees with me.

4604. What do you say was the proportion of your blend?—Two-thirds grain patent whiskey and one-third malt or pot still whiskey.

4605. You have given us your experience of selling and your experience as a private individual. Do you think that is as good as any whiskey you can obtain for the purpose of flavour and palate?—I think it is the best whiskey anybody could possibly drink; it is so wholesome, and it is not too heavy. People will not drink heavy whiskies now, as a rule.

4606. Should you say that pure pot still whiskey is heavy to drink?—No, not so heavy as malt whiskey.

4607. I am speaking of pot still whiskey. Do you think that pure pot still whiskey is too heavy to drink?—Yes. There are some Highland distilleries that turn out whiskey not so heavy as others; but there are some Highland distilleries again where the whiskey is very, very heavy, and very thick.

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4608. What should you say as to the drinking of a pure patent still whiskey unblended?—It is very first-rate, I think. I could drink it myself very well; but I prefer just a small portion of malt with a much larger portion of patent or grain whiskey.

4609. But comparing patent still with pot still, patent still has not got the flavour or the bouquet that the pot still has, has it?—Not quite so much, but it has a flavour.

4610. Which do you think an ordinary customer would prefer? If a person went and asked for whiskey, would they prefer having a glass of pot still or patent still whiskey?—It depends on the part of the country. Round about Edinburgh, in the mining districts, they prefer a silent whiskey or a patent whiskey, the miners particularly. They do not care for heavy whiskey. They like a light whiskey, and prefer that to a malt whiskey. If we put too much malt whiskey in the blend we are certain to have complaints.

4611. Is there any part of the country where they do prefer a malt whiskey?—Yes, north of the Grampians, when you get down to Kingussie, they do.

4612. Is that dependent upon the climate?—No, not altogether, because there are some parts where they drink a heavy malt whiskey, such as in Morayshire. I think it is the habits of the people, and what they have been accustomed to drinking. Before the Highland Railway was made, 40 years ago, they got their whiskey from a local distillery within 10 or 12 miles of them, and they acquired a taste for heavy malt whiskey.

4613. Part of Morayshire would run up to Glen Livet?—Glen Livet is in Aberdeenshire, I think.

4614. You do sell, in your Edinburgh house, blended whiskey?—Yes, largely blended whiskey; it is mostly blended whiskey.

4615. Does your blend follow the proportions you mentioned to us just now that you were drinking yourself?—There are some blends we put in half malt and half grain to suit different classes of customers, and others again take a small portion of grain or patent still whiskey.

4616. Does the variation exist in order to meet the public taste?—Exactly.

4617. Some people like a proportion of the stronger whiskey, that is, pot still, and others do not like such heavy whiskey?—Exactly, in Inverness-shire, Morayshire, Banffshire, they all like strong heavy whiskies.

4618. Do you sell these whiskies in the bottle sent out in cases?—Mostly in casks. We do sell it in cases. We bottle whiskey and sell to the trade.

4619. Do you put any labels either on the casks or the bottles?—Yes, we put on "Scotch Whiskey," "Glen Finnan Whiskey," and "Glen Livet Whiskey."

4620. What do you put on your blends?—One of our blends is Glen Finnan, and the other is Mountain and Moor, and another one is Heather Lintie.

4621. Where do you get those names from—from a distillery?—I am a Jacobite. I took Glen Finnan from the fact that Prince Charlie landed there. He landed at the west of Inverness-shire.

4622. A pure Jacobite would not have stood a blend. When you get a blend why do you call it by this Jacobite name?—I thought it was a good name to take for a blend of whiskey.

4623. As a good and loyal subject you put that on, I suppose?—Yes.

4624. What is the proportion in the blend of which you sell the most?—About 30 per cent. malt and 70 per cent. of grain. That is the blend I like most, and I recommend it.

4625. I suppose these distilleries differ in their products? They have a distinctive character of whiskey at most of the distilleries?—Yes, everyone of them.

4626. And that may influence the blend a little?—Yes.

4627. I rather gathered from what you said that the public do not trouble themselves very much about the exact blend or even the distillery it comes from?—No, they very seldom ask. Even here, when I had a glass of whiskey, the man could not tell me whether it was patent or pot still. I got my lunch and asked for a glass of whiskey-and-soda with it, and when it came in I said, "Is this patent or pot still whiskey?" and the man said, "I do not know the difference between pot still and patent. I never heard the name before."

4628. I suppose you would not have any standard to regulate the blend established?—I think not.

4629. What do you say about the age limit?—I do not object to it, but I do not see any necessity for it. If I were a labouring man, earning from 20s. to 25s. a week, and liked a glass or two of whiskey, and could not afford to take perhaps more than three glasses in a week, why should I have to pay 1d. a glass more for my whiskey?

4630. Then, of course, there must be some loss of interest to the trader. He must lose something while it is unproductive?—New whiskey is cheaper than old whiskey, of course, but it is not proved to be unwholesome. I want to show you this sample. This sample is to go against the Irish evidence where they talk about old grain or patent whiskey being worth only about 3s. per proof gallon. I paid 11s. 2d. for that whiskey, which is 20 years old. I paid 11s. 2d. a gallon for it; 9s. duty; 20s. 2d. duty paid, 18 under proof.

4631. (*Mr. Guillemard.*) Will you say what your experience has been since you were engaged in this business? Have you noticed any change in the taste of the general drinker in Scotland? Do you see any tendency to drink more patent or pot still or blends?—They are blends mostly.

4632. The taste is coming to blend, is it?—Yes, we never bottled patent whiskey pure until the last inquiry in London, about 18 months ago. I thought, after Sir James Dewar's evidence, that it advertised the Cambus whiskey.

4633. After the Islington case?—Yes, and I began to put Cambus whiskey into bottle, and I sold it. Here is the thing and you can look at it. There are different people that I sent it to in every part of Scotland. It is a pure grain whiskey.

4634. As far as your experience goes, one result of the Islington case has been to increase the sale of patent still whiskey in Scotland?—Yes.

4635. (*Dr. Cushny.*) Most people, I understand, simply order "whiskey" from you, do they not?—Mostly, but we have some people that order a cask of Glen Livet whiskey, or a hogshead, perhaps, of Cardow. That is in the Glen Livet district; another is Balmenach, and another is Glenfarclas—they have their different tastes.

4636. Do you sell always the same blend? I do not understand whether you always supply the same whiskey, or whether you have several kinds?—We like to draw our whiskies from the same distilleries, if possible.

4637. And mix them or blend them yourself in the same way?—Yes; perhaps so many parts of one distillery, so many of another, and so many of another, so as to have a uniform blend.

4638. I suppose, to people writing specifying simply "whiskey" you send exactly the same whiskey?—Yes; what they have had before.

4639. (*Mr. J. Y. Buchanan.*) I suppose your customers never ask for Scotch whiskey, but they ask for "whiskey"?—Yes, just "whiskey."

4640. And it is perfectly understood that it is Scotch whiskey?—Yes.

4641. Do you remember when first patent still whiskey was put on the market in Scotland?—That was about five or six years before my time.

4642. About what date?—I think it was about 1845.

4643. I think the Caledonian Distillery was the first?—No, I do not think it was the Caledonian that was the first. I think the Haddington, where we get our whiskey, was the first.

4644. Did they have a Coffey still— a patent still—there?—Yes.

4645. The principal manufacturer of patent still was the Caledonian, was it not?—The Seggie was; Seggie is near St. Andrews. They used to grow a very good barley in the East of Fife. They had a very good grain whiskey; they used to have a better grain whiskey almost than Cambus.

4646. In Glasgow and Edinburgh I suppose there are a good many public houses where patent still whiskey is sold and wanted?—I think so, largely.

4647. Amongst the working class, is it your experience that, if they have, as you say, only money for

three glasses of whiskey a week, they prefer it?—Yes, they do like it.

4648. They get more for their money?—Yes, especially with miners. It is not like people in the Highlands; they can drink anything. If you are fishing in the Highlands it does not matter what whiskey you have—it goes down, and it does not hurt you.

4649. But in towns, for the labourers, do they prefer it?—Some of them like a little more flavour. I think shoemakers and tailors prefer it light.

4650. When you are supplying public houses in Glasgow or in Edinburgh, is it mostly the patent or the blended?—The blended mostly. They are the larger buyers. We sell them a patent whiskey, and we sell them malt whiskey, and they blend it themselves. We do that through the whole of Scotland.

4651. It is recently, within your recollection, that you began to supply blend whiskey to customers?—Yes; about 30 years ago.

4652. (*Dr. Adeney.*) What would you pay for a glass of patent spirit over the counter?—For a malt whiskey?

4653. No, patent. What would an ordinary customer going into a public house pay in Edinburgh?—Glasses of whiskey in Edinburgh are double the size that you get them here. That is one of the drawbacks here that one has to take two glasses of whiskey to one big bottle of soda water.

4654. Taking a customer in a public house at Edinburgh what would he pay for a glass of whiskey?—There are 32 gills of whiskey to the gallon, and a glass of whiskey is half a gill, so that is 64. Do you want to know the price?

4655. What would an ordinary customer going into a public house in Edinburgh pay for a glass of whiskey—for patent still whiskey?—4d.

4656. What would he pay for malt whiskey?—5d. and 6d.

4657. Supposing he went in and asked simply for "whiskey" what would he get and pay for?—It depends on the class of place. If he went into the Caledonian Railway Station Hotel, or the North British Station Hotel, and asked for a glass of whiskey he would have to pay 6d., and if he asked for an Extra Special, which may not be quite so good, they would charge him 8d.

4658. Now I want to ask you a question with reference to public houses where you say the mining class would go and ask for a glass of whiskey. What would they charge them?—4d.; but you must remember that the glass is double the size that you get here.

4659. We are talking about the Edinburgh practice—the Scotch size. You wish to convey that the consumer would actually get the benefit of a cheap whiskey?—Certainly. The great bulk of working men are sober, and there is not one man in 100 who is a drunkard.

4660. I am talking of the legitimate use of whiskey. You feel confident that the man in the street does get the benefit as to price if he is satisfied with the patent still whiskey, or the cheaper whiskey?—Yes.

4661. Have you any experience of Irish whiskey?—We do a little in Irish whiskey both in pot and patent.

4662. Do you blend the pot?—Yes, we blend the pot and the patent. We get them from Ireland, but do a very small trade in them.

4663. Do you think it is necessary to blend the best classes of Irish pot still whiskey—do you think it is as necessary as with some of the Scotch pot still whiskies?—I think the worst whiskey I ever tasted in my life was at the Dublin Exhibition, and that was Irish pot still whiskey.

4664. Are you sure it was pot still?—Yes. I was ill for two or three days afterwards.

4665. Are you sure it was pot still?—Yes. I was told so. It was much too strong in flavour for me. At Belfast again it is a good deal of it patent.

4666. (*Dr. G. S. Buchanan.*) Do you buy patent still at two years' old?—No, we buy it all new, and sometimes if we run short of very old whiskey, 20-year-old whiskey, we have to search for it, and seek for it, before we can get it; but we got it bonded in 1888.

4667. Can you tell me how much your ordinary new whiskey has increased in value after two or three years; that is, in value to you?—It increases in value to this extent, that we put on about 3d. a year.

4668. Is that so much that the customer who at present pays 4d. a glass for new whiskey would have to pay 5d. or 4½d. for whiskey that had been kept two or three years?—Yes.

4669. It would give you a nicely added profit?—There is shrinkage both in strength and in quantity.

4670. There is one other point I want to ask you about. You spoke about the increased sale of patent still whiskey in Scotland since the Islington discussion. You base that on the fact that you were very successful with a sale of Cambus, do you not? You started selling Cambus?—We always used to sell a great deal of Cambus whiskey in hogsheads and in puncheons, but after that case I thought that the people would be anxious to see what this Cambus was, and I put it into bottle. I think we have sold about 2,000 dozen of it.

4671. You sell it as grain whiskey?—As Cambus grain whiskey.

4672. You said it was grain whiskey?—No; we sold it as Cambus whiskey.

4673. It says so on the bottle—grain whiskey?—No, Cambus whiskey.

4674. It is advertised as grain spirit?—Yes.

4675. There is no objection to putting it on the bottle? You have no objection to saying the grain spirit is grain whiskey?—There is no necessity for it.

4676. But you see no objection? In this particular case it would have helped your trade?—No; I am old-fashioned, and I do not like to make changes.

4677. Now a question about the miners. Did the miners who have this patent still whiskey usually have a special taste for the new patent still whiskey? Do they also take much water with it?—I could not say.

4678. It makes a difference, does it not?—I think they like a stiff glass.

4679. Can you account for the fact that they prefer patent still spirit?—Yes; it is because malt is so heavy.

4680. Do you think the fact that they do not wish to dilute it, and that they wish to have a fairly strong alcohol has something to do with it?—That may be so.

4681. (*Dr. Horace T. Brown.*) This sample that you have handed in is Cameron Bridge, 20 years old?—Yes; bonded in March, 1888, in sherry casks.

4682. What is the value of it a gallon in bond?—I paid 11s. 2d. a gallon for it in bond, at the strength of 18 under proof. It has lost strength. It was bonded at 11 and 18, that is 29 strength that it has lost.

4683. This is not in a plain cask?—No; it was in sherry wood.

4684. Is this the natural colour of it?—We got it for one of the leading hotels in Edinburgh. A county gentleman wished to have a cask of Cameron Bridge whiskey, the oldest that could be got, if it was sound, and free from the taste of wood.

4685. Is this the natural colour?—Yes.

4686. It has not been coloured?—No.

4687. I should like you to take this back?—You can have it. We never made any headway in Scotland until we began to blend whiskey: we never could get a whiskey into Australia or India until we began to blend them; they would not have Highland malt whiskies. It was the skill of the blenders that put brandy out of Australia.

4688. (*Dr. G. S. Buchanan.*) When you are sending to Australia now, do you have to make any declaration as to age?—No.

4689. Do they admit your new whiskey? Do you send any new whiskey?—We have not been sending any new whiskey to Australia lately.

4690. You do not send it?—No.

The witness withdrew.

Adjourned to Monday next, 6th April, at 12 o'clock.

TENTH DAY.

Monday, 6th April, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. W. Virtue.

6 April 1908.

Mr. WILLIAM VIRTUE, called.

4691. (*Chairman.*) You are the Managing Director of the United Distilleries Company, Limited, of Belfast?—I am.

4692. I believe you have held that position since 1902?—Yes, since the Company was formed.

4693. Previous to that were you Managing Director of David Watt and Co., Limited, in Londonderry, for 12 years?—Yes.

4694. The United Distilleries Company includes the Irish Distillery, Limited, of Belfast, the Avoniel Distillery of Belfast, and the old company of David Watt and Co., of Londonderry?—Yes.

4695. How many distilleries does your company own?—We have four distilleries, two of which are in Belfast and two in Londonderry.

4696. The two in Belfast, I believe, are both pot and patent stills?—Yes, both.

4697. We will go back to that in a moment. The distillery in Abbey Street, Londonderry, is patent still only?—Yes, patent still only.

4698. And the Waterside Distillery, Londonderry, is pot still only?—Yes.

4699. So you have all the variations, patent still only, pot still only, and pot and patent still jointly?—Yes, my lord.

4700. What is your average annual output?—Between five and six million gallons yearly of patent still whiskey, and about 250,000 gallons of pot still whiskey.

4701. Can you give me the relative production of the distilleries which produce pot and patent still both? First of all, you have two at Belfast, which you say are both pot and patent stills?—Yes.

4702. Can you give me the relative production there?—About four million gallons of patent still. Only one of the distilleries in Belfast is making pot still at present.

4703. But can you tell me your average, running over some years?—About 100,000 gallons of pot still whiskey in Belfast, and about 150,000 gallons in Londonderry.

4704. And the patent still?—The patent still is pretty nearly from a million and a half to two million gallons at each distillery. A million and a half to two millions at Londonderry, and a million and a half to two million gallons at each of our Belfast distilleries.

4705. I want to know the cause of the difference. The patent still, I understand, runs throughout the year?—Yes.

4706. How long does the pot still run?—About six months in the year.

4707. Then what is the cause of that difference?—There is a greater demand for patent still.

4708. You do not want to work the pot still more?—No. Of course, it is more profitable to work a pot still distillery in the cold weather, and the pot still distiller tries therefore to concentrate his work as much as possible into the colder months of the year.

4709. (*Dr. Horace T. Brown.*) It is determined by his malting, I suppose?—To a considerable extent.

4710. (*Chairman.*) Will you explain why it is more advantageous to work in the cooler time?—First of all there is the question of malting, which Dr. Brown has referred to, and then there is the question of water for cooling purposes, and there is also the question of the bye-products—the disposal of the grains or draff, for which the demand in summer is not so good as it is in winter.

4711. Whatever be the cause of the discrepancy do you produce as much of the pot still whiskey as you have demand for?—We do undoubtedly.

4712. To what do you attribute the greater demand for the patent still?—The public seem to prefer a milder flavoured spirit nowadays than used to be the case, and no doubt also the cost has something to do with it.

4713. First with regard to the milder flavour. Is it the fact that the pot still whiskey is a much stronger flavour?—Undoubtedly so. There are great variations in that also, but taking it as a class pot still whiskey is undoubtedly more highly flavoured, although, as I say, there are great variations.

4714. What is the cause of that higher flavour compared to the patent still?—The greater proportion of the bye-products that pass over during distillation in the pot still than is the case in the patent still.

4715. With regard to ingredients, what is the difference in ingredients between the pot and the patent still in making the whiskey?—Do you want the ingredients in our distilleries?

4716. As between the pot and the patent still, has the difference of ingredient in existence caused any difference in flavour?—I do not think it has, materially. We have used, and do sometimes use, practically the same materials in the patent still distillation as in the pot still distillation, and although every sort of grain does give you more or less of a distinctive flavour you get that same distinctive flavour in a patent still as in a pot still, though not to such a great extent.

4717. This is a matter of degree, but in your opinion is the stronger flavour in the pot still whiskey at all attributable to the ingredients you use as compared to the patent still?—No, my lord, I should say not.

4718. Is there any difference in the ingredients used?—There is a difference in ours. We do use different materials.

4719. What is that difference?—In our pot still distilleries we use barley malt, barley, and occasionally small quantities of rye, wheat and oats. In the distillation of patent still whiskey we use barley malt, rye and maize.

4720. (*Mr. Guillemard.*) No unmalted barley?—No.

4721. (*Chairman.*) I daresay you can only give an average, but what is about the quantity of maize you use in the patent still?—We use about one-third of the total mash. We rarely go below 27 per cent.—from 27 per cent. up to 30 or 33—I have rather underestimated the maize, and should say the maize is about 36 or 37 per cent. as a rule.

4722. Do you ever use any maize in the pot still?—Not as a rule; we have used it.

4723. But as a rule you do not?—No.

4724. What is the reason of your drawing a distinction between maize in the one case and not in the other?—In the case of the pot stills ours is a very old distillery, and we have been producing pot still whiskey for many years, and every distillery which has been working for a length of time acquires a reputation for having a whiskey of a particular character, and the character of our whiskey has been derived from the use of materials not including maize. If we were to use maize, or if we were to use, say, a greater proportion of rye, or even a greater proportion of malt than we have been in the habit of doing it would alter the flavour, and although you might have a better whiskey, you would have customers complaining that it was not the same. These customers have been using it probably for many years in making up their blended whiskies, and if you sent them a whiskey different from that which they were in the habit of getting it would alter the charac ter of their blend, and you would continually have complaints. We dare not really alter the materials materially, neither in the direction of using maize nor in the direction of using a greater proportion of rye, or wheat, or any other grain.

4725. Are your pot still distilleries older, in point of existence, than the patent still distilleries?—No, my lord.

4726. Then your observations would equally apply to the patent still. Why did you begin to use maize in the patent still and not begin to use it in the pot still?—Because in the patent still, whereas it does allow flavour to pass over, it does not allow so much flavour, and you can use a greater proportion of maize, or a greater proportion of rye, or a greater proportion of any other grain without influencing to the same degree the flavour of your whiskey. The amount of flavour that the patent still allows to pass over into the spirit is a matter of process.

4727. It is really that the different process favours the use of the maize?—Unquestionably.

4728. You mentioned the question of price influencing the purchaser. What is the difference, taking the average, between the pot still product and the patent still product?—The difference in the cost price of making the two, do you mean?

4729. That is the cost of making it to you?—The cost of making it to us includes the cost of the grain, the cost of labour, and the coal. I give instances of actual distillations as carried out in the pot stills at our Waterside Distillery, Londonderry, the grist used for which may be regarded as a fair average of what is used for making Irish pot still whiskey, namely, 38 per cent. of malted barley, 58 per cent. of unmalted barley, and 4 per cent. of oats. In this instance the grain cost 17·12 pence per proof gallon of spirit produced; labour cost 1·06 pence per proof gallon of spirit produced; coal cost 2·28 pence per proof gallon of spirit produced; making a total of 20·46 pence per proof gallon of spirit produced. Then to take the comparative test in the patent still distillery, at Abbey Street, Londonderry, we used grist there which is the average of what we use at all our distilleries, namely, 28 per cent. of malted barley, 36 of rye, and 36 per cent. of maize. The cost there works out for grain 15·65 pence per proof gallon of spirit produced; labour 1·16 pence per proof gallon of spirit produced; coal 1·01 pence per proof gallon of spirit produced; making a total of 17·82 pence per proof gallon of spirit produced.

4730. Labour is a little higher?—Labour is a little higher. The pot still costs, therefore, 1·47 pence per proof gallon more than the patent still for grain, and 1·17 pence per proof gallon more for coal.

4731. About 2¾d. altogether?—2¾d. or 2½d. is the total difference in cost price for grain, fuel, and labour.

4732. Do these statements as to the proportions of the materials used and as to the price represent a fair average of the productions from your different distilleries?—Yes.

4733. And as far as you know it represents the cost more or less generally of Irish whiskey?—Yes. I submit particulars of these mashes to the Commission (*handing in documents*). There are two there. Lest it might be thought the results obtained this year were abnormal owing to the high price of grain this season, I have given similar particulars for the corresponding period of last year.

4734. I do not wish to enter into particulars of your trade, therefore you need not answer what I am putting to you unless you like. You have told us what it has cost you at each of your distilleries. Would you care to tell us what difference of charge you make when you are selling? I do not know whether you would want that particular to be gone into as to the profits you are making?—I am not sure that I do.

4735. Perhaps you would like time to think about that?—Yes, I would rather.

4736. Now to go back to your *précis* of evidence, I believe the Irish trade is not split up into different sections like the Scotch trade?—No, my lord, it is not like the Scotch trade, that is to say, there are no divisions such as Highlands, Lowlands, and Campbeltowns.

4737. But I believe your division really is a division between pot stills and patent stills?—That is so, broadly speaking.

4738. In sending out your whiskey to the trade does it carry with it the name of the distillery from which it comes?—Usually it does; that is the usual way in which whiskey is sold in Ireland to the wholesale merchant by the name of the distillery.

4739. Would that be known to the public if they were purchasing?—In some cases it would.

4740. Would a Belfast man be likely to ask for his Belfast whiskey and in Londonderry for his Londonderry whiskey—I mean a member of the public purchasing, not a trade purchaser?—The general public might ask for the make of a particular distillery: that is often the case in Ireland.

4741. I recollect a great many years ago that Bushmills had a great reputation as a distillery?—Yes, you still find that the public sometimes ask for Bushmills, or they may ask for any other of the distillery makes in Ireland.

4742. What is your practice in selling? To whom do you sell from the distilleries; who is the first purchaser?—We sell almost entirely to the wholesale merchants and blenders.

4743. They are both merchants and blenders?—As a rule.

4744. And from what you have told us you supply to them a much greater quantity of the patent still than of the pot still?—Yes, my lord.

4745. I suppose, as far as you know, their demand on you depends on the demand of the public on them?—That is so.

4746. Do these blenders blend on their own premises?—Yes; either on their own premises or, it may be, in an Excise or Customs bond.

4747. Do they sell under the name of the distillery from which they have obtained it?—In some cases.

4748. When it is blended would they blend simply with your whiskey, or would they blend with your whiskey and another?—Usually various whiskies.

4749. That, of course, again is to meet the public taste?—Exactly.

4750. What would you say yourself from your practical observation, and from what you have been told by others, is the blended whiskey a very acceptable whiskey from the point of view of taste?—I think so, undoubtedly.

4751. What comparison do you draw between the blended whiskey and pure pot still or patent still?—It is a question of the degree of flavour. The pot still as a rule has a very much more decided and strong flavour.

4752. Of course, it is a matter of taste, but would that strong flavour at all affect the digestion, when it is a very strong flavour?—I could not say, my lord.

4753. Now take the ordinary consumption in a house where a man has been out all day, an ordinary moderate consumer. Would it be blended whiskey that would be consumed?—Not, perhaps, so much is that the case in Ireland, although there is a very large quantity—probably more—blended whiskey than self whiskey drunk in Ireland, as well as in Scotland and England; still, I do think you find, perhaps, self whiskey more general—that is, you can procure in Ireland self whiskies more readily than you can procure them in England or Scotland, although the greater proportion of the whiskey sold is a blended whiskey.

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4754. By self whiskey you mean unblended whiskey?—Yes.

4755. Then, according to your statement, there must be a very large quantity of the patent still whiskey unblended drunk. You say in Ireland there is more of the self whiskey drunk than the blended?—No; I say there is proportionately more drunk in Ireland than is drunk in England and Scotland.

4756. Is there a considerable proportion of the unblended whiskey drunk in Ireland?—I think there is more than is drunk in England and Scotland.

4757. Then that unblended whiskey must be a greater proportion of patent still whiskey than the pot still whiskey?—I do not quite follow.

4758. Surely the greater proportion of unblended whiskey would be patent still whiskey, and not pot still whiskey?—I do not know that that quite follows. There may be a blend with a small proportion of pot still.

4759. You have such a small quantity of pot still whiskey produced, and if you blend it there is very little left to drink as unblended whiskey?—But we are not the only pot still distillers in Ireland and our patent still whiskey may be blended with other pot stills not made by us.

4760. But, taking it as an average, you are producing a far greater quantity of the patent still than the pot still?—Yes; but there are other pot stills which produce no patent still at all.

4761. Yours, you mean, or other people's?—Other people's.

4762. I am taking your figures, and as they stand you have given a very great majority to the patent still?—Yes.

4763. Some of that is blended?—Yes.

4764. Then, when you come to ask what is drunk, surely more of your whiskey would be drunk out of a patent still as self whiskey than out of a pot still?—Oh, yes; if it is not blended with other makers' whiskies.

4765. Unblended pot still and unblended patent still. Surely there is more unblended patent still than unblended pot still drunk because your gross production is so much greater?—Yes, my lord, of our own makes.

4766. Do you know what is the proportion of the two as regards Ireland as a whole? Is more patent still drunk?—In Ireland I think there is more patent still whiskey than pot still whiskey drunk. I estimate there is about twice as much patent still produced in Ireland as pot still. The total production of patent still whiskey is about double that of pot still whiskey in Ireland.

4767. Can you give me at all any estimate as to what proportion would be blended and what proportion would be drunk without blending?—No, my lord, I cannot.

4768. I think we have had it given in evidence that in Ireland there were 25 pot still distilleries and 9 patent still distilleries?—Yes, that is so.

4769. The patent stills are these: 1 at Cork, 3 at Dublin, 1 at Dundalk, 3 at Belfast, and 1 at Londonderry?—That is so.

4770. The pot stills only work a certain portion of the year?—As a rule, yes. There is no pot still in Ireland that works all the year. Some may work a little longer than others, but on the average they do not work more than six or eight or nine months in the year.

4771. What is the difference as between the Scotch and Irish systems as to the number of distillations?—In Ireland there are three distillations, whereas in Scotland there are only two. There is one more fractional distillation in Ireland than in Scotland.

4772. Does that go on now? Is the Irish distillation still three?—Yes, that is the practice now, but I think in former years that was not so. I think two distillations is all that was practised in Ireland in early times. I have an Excise entry here that was made by Ross T. Smyth, who was the predecessor of David Watt.

4773. Will you just refer to that entry? It is an old entry, I believe, of 1829?—Yes, "Entry made by Ross T. Smyth, the predecessor of David Watt and Co., Limited, Distillers, Londonderry." There are only two stills entered there, namely, "One still for distilling wash into low wines," and, "One still for distilling low wines and feints into spirits." This does not prove altogether that only two distillations were practised. They might perhaps have distilled twice in one still, but if you consider the state of the Excise laws that were then in force it becomes practically certain that only two distillations were practised. In these early years the duty was levied not on the spirit but on the still, and the distiller had practically a free hand to distil as quickly as he chose, and the quicker he distilled the less therefore the duty on the spirit. So that obviously it would be in his interests not to distil more than was absolutely necessary to produce a potable spirit.

4774. There are three distillations now in the pot system?—Yes.

4775. What is the advantage of the three distillations over the two?—You obtain a more highly rectified and purer spirit.

4776. That seems to be a great distinction between the pot still and the patent still—the difference between the three and the two distillations?—Yes, my lord, that is to say you get a purer distillate when you fractionate it three times than when you only fractionate it twice.

4777. In the items you gave us just now of the expenses, where does the greater expense, if at all, of the third distallation come in? Is it in the labour or the coal?—In the coal, principally.

4778. There is not much difference in the coal?—No, it is about one penny a gallon.

4779. Is there any difference in the size of the heads of the modern pot stills?—Yes, the heads of the modern pot stills are made much larger in size than was formerly the case so as to expose a large surface to the cooling influence of the atmosphere, and the result is that during distillation there is a partial condensation of the less volatile constituents of the spirit vapour. These flow back into the still.

4780. You mentioned something as to the use of charcoal and alkali and other chemicals. Are they used in any quantities?—Oh, yes.

4781. For what purpose?—For removing some of the constituents, the volatile bye-products. Oxidation takes place and neutralisation. Some of the volatile products are rendered non-volatile.

4782. Of course you have heard of the Coffey patent still?—Yes.

4783. When do you think it first came into use?—The still was patented, I understand, in the year 1831, and it has been suggested that it was many years after that before it was used for making whiskey. But I think I can show that that was not so. We have traced through the old records of our Londonderry distillery and I find that the predecessor of the present firm, that is Ross T. Smyth, erected a patent still at the Londonderry distillery in the year 1833.

4784. How do you show it to be a Coffey patent still?—I have here a copy of the letter addressed to the Commissioners of Excise dated August, 1833, in which Ross T. Smyth says: "Honourable Sirs,—Having erected one of Mr. Coffey's patent distilling apparatus I trust your honourable board will give such instructions to your officers in charge of my distillery as will enable me to get to work without delay." That is signed "Ross T. Smyth." Then there follows an entry of that still.

4785. What is the entry?—It is rather a long document, but the result is that there is entered there as part of the plant at this distillery in Londonderry the rectifier and analyser of a patent still—the still that was referred to in the letter I have just read.

4786. That shows it was erected?—Yes.

4787. This is Abbey Street, is it not?—Yes.

4788. As far as you know, was the pot still process discontinued at Abbey Street?—Yes, and that is shown by the fact that there is no excise entry after that date of any pot still at the Abbey Street distillery.

4789. What sort of production was there at Abbey Street at that time? Was it a small production?—Relatively.

4790. Is it now one of your biggest or smallest?—It is one of our largest, and one of the largest in Ireland.

4791. And in Abbey Street you have used the patent still process ever since?—Yes, ever since 1833 we have used the patent still process, and it has been regularly and continuously in use.

4792. Since that time, of course, this Abbey Street distillery has been at work producing?—Yes, for the past 75 years.

4793. What name as far as you know has been applied to the production from the Abbey Street distillery under the patent still process?—Even back in the year 1834 I find that it was called whiskey; sometimes it was called grain whiskey, sometimes patent still grain whiskey or patent still whiskey, but it was undoubtedly known even in those days as whiskey.

4794. Where do you obtain that knowledge from—speaking generally first?—From old documents, invoices to customers, and letters to customers.

4795. Would you produce one of the earliest where it is designated whiskey?—Here is one in the year 1834. This is a letter addressed to Messrs. Twiss and Browning, of Mark Lane, London: "We are in receipt of your esteemed favour of the 14th instant. When the writer returned from London we had unfortunately dried and ground all the grain we used this season, which deprived us of the power of giving a peat flavour to a few puncheons of our patent still whiskey. As we have now stopped working till next September we could not send you any till after that period. We shall, however, be glad to send you some of our patent raw grain" and so on.

4796. The patent raw grain would be the whiskey?—Yes, the term "whiskey" you will notice was used earlier in the letter.

4797. What is the date of the month of that letter?—19th May, 1834. There are quite a number of letters here. Sometimes it is called "spirit." Here is one where the term "rye malt spirit" is used. Here is another where it is called "grain whiskey." Here is another where it is called "malt whiskey" and "smoked malt spirit."

4798. (*Dr. Horace T. Brown.*) Does that refer to the patent still?—Yes, it is all patent still.

4799. (*Chairman.*) Can you without difficulty summarise the number of letters you have in your possession giving the different designations of whiskey—patent whiskey or patent spirit, and so on? Would it give you much trouble to extract the different names?—I think I have them here roughly. There is patent raw grain whiskey, patent malt whiskey, patent malt spirits, patent Innishowen malt whiskey. I find Innishowen is a term synonymous with potheen, the illicit spirit which was prevalent in the Innishowen district lying between the Foyle and the Swilly, which was a great smuggling district in those days.

4800. I want to know which is the general term applied, if you can give us the number of times the different terms are employed in those letters?—I could not do that without going into it.

4801. Can you do it without much trouble?—Yes, I think so. We have a great number of letters other than those I have here. I have only a few letters here, and I can send you a great many more.

4802. As far as you know, did the introduction of the Coffey patent still process produce somewhat of a change in the production—I am speaking now as regards blending? At the time before the Coffey patent still came into use was there much blending of whiskey in Ireland?—I should think not.

4803. Then what caused the blending to come into play?—I cannot tell you when blending commenced.

4804. Was it a blend of the two, the pot still and the patent still?—I presume it was. The pot still at that time was very crude, and very little of it was bonded until it was matured; hence patent was probably blended with it to make it more potable.

4805. What different classes of pot still whiskey are blended, or is the blending jointly between pot and patent still?—The pot still whiskies are sometimes blended by themselves without the patent still.

4806. Would that be different productions from different distilleries?—The products of different pot still distilleries may be blended together.

4807. So whenever you get different characters of whiskey you get the blend, whether it comes from one system or the other?—That is so.

4808. When, as far as you know, did the system of bonding come into existence to any large extent?—At the time the patent still first came into use there was comparatively very little bonding. The production seems to have been very large in proportion to the amount of bonding that was done at that time. I have looked up some of the old records, and they seem to bear out the fact that in the early years of the nineteenth century there was comparatively very little maturing done.

4809. There is considerable bonding now?—Undoubtedly.

4810. Is that to meet the public taste and get the spirit older?—Yes, to get it older and of milder flavour. Indeed, I rather think the patent still has been responsible for that, because it has compelled the pot still distillers to bond until the whiskey gets milder.

4811. We gather that the maturing is much more important to the pot still system than to the patent still system?—It is more important.

4812. In consequence of the great strength and great flavour, which wants more maturing?—It is cruder to begin with.

4813. What should you say as to the advantage to be derived from compulsory bonding—that is, compulsory age?—I think it is altogether a question of the public health. If the public health requires that whiskey be kept in bond until it matures, then undoubtedly the distillers ought to be compelled to keep it, but I do not think it has ever been clearly proved that that is the case, and if it were, I think that each class of spirit ought to be dealt with according to its merits—that is to say, because one class of spirit requires three, four, or five years to mature it, that is no reason why another spirit which does not require it should be compelled to be kept in bond for that time.

4814. From the opinion you have formed, and from what you have heard from others, and what you hear in consequence of the demand made upon your distilleries, do you think that, apart from the question of taste, there is any great effect in consequence of the young spirit being consumed by a consumer? What is the difference, apart from that question of taste, between the new spirit and the old?—I do not know of any, but that is, I think, more a question for a medical man.

4815. Have you heard persons in the trade complain and say they cannot sell whiskey under two years or three years old? Generally in the trade is it thought that new spirit is injurious?—I do not think so as regards the trade, but there is no doubt the public have that idea.

4816. I am not speaking of the taste, but I am asking you whether it would be injurious to the health of the consumer?—I do not know, but I do not myself think it would be injurious.

4817. What do you think as to the length of time before whiskies should be put on the general consumers' market?—Before they are fit for consumption, you mean?

4818. I am taking you away from that, because you say you cannot tell, and I am asking you with regard to them being put on the market for the consumers. How long should you say they ought to be kept?—In the case of pot still whiskey there is very little put on the market under three years old, and that is even considered young enough. In the case of patent still whiskey there is a good deal of it which goes into consumption before it is many months old, but it is of all ages—between two and three up to ten years old. It is generally considered that a patent still whiskey with one or two years age is quite as well matured as a pot still whiskey of four or five years.

4819. That is in consequence of the different constitution of the two spirits?—Yes.

4820. If your old whiskey is kept for three or four years where, as a rule, is it kept—at the distillery or in bond or where?—In bond.

4821. What is the advantage of that? Is it put in bond in order to obtain proof that it has been kept so long?—No, it is in order to mature it.

4822. But you can mature it if you keep it in other ways?—The duty does not require to be paid when it is bonded.

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4823. But supposing you keep it at your distillery, supposing you had a room which you called the bond room at the distillery, would you have to pay duty then?—No, my lord, the bonds are very frequently—indeed, almost always—at the distillery, but they are under Excise supervision.

4824. You do not care about the building belonging to the Government more than belonging to the distillery; but it is simply that it has to be kept, as proof that it has been kept?—Yes.

4825. Can you suggest any practical way how the public can be assured that it has been kept if it is only kept in the distillery, and not kept in a Government bonded warehouse?—It does not really matter whether it is at the distillery or at a Government bonded warehouse. They are equally under the control of the Government.

4826. Is that so?—Yes.

4827. Until duty is paid it is under the control of the Excise officers?—Yes, my lord.

4828. I suppose, as a rule, the distiller prefers not to pay the duty rather than paying it. You keep the duty unpaid?—Yes; until it goes into consumption the duty is practically never paid.

4829. What is y ur view, as represent ng the trade? Would you object to a compulsory period before which the whiskey should not be sold?—I do not think we should be asked to keep whiskey in bond compulsorily unless it is clearly established that the public health requires it. That is the position we take up.

4830. That is a very fair answer. Apart from health, you know no reason why it should be kept in bond?—No; none.

4831. It is a commercial transaction between the manufacturer and the seller, whether he likes old whiskey or not?—That is exactly the case.

4832. I pr sume your view is that, as regards the trade, that should be left to rule itself and govern itself?—Yes.

4833. As regards health, you very properly say you must leave that to others to determine, and, if necessary, you are willing?—Quite willing.

4834. You have been anxious to establish that the patent still product is not at all novel?—It is not novel at all.

4835. And it has been gradual since the time of the patent still?—Yes.

4836. I will not go through the proof of your evidence on that, because I do not think it is very much disputed. Now, I want a little more from you as regards the ingredients. Is the Irish whiskey regarded as being a more highly flavoured whiskey than the Scotch, or not? Which is regarded as being the more highly flavoured whiskey, the Scotch or the Irish?—The Scotch has got the high peated flavour, and there is no peat flavour in the Irish whiskey. That is really the distinction between the two, broadly speaking.

4837. I always understood so. The difference between the peat and the coal is the great cause of the difference in flavour?—It is.

4838. There are some distilleries in Ireland—three, I think—where they are using an all-malt mash?—Yes, three.

4839. Which are those?—Two in Coleraine and one in Bushmills, all in the North of Ireland.

4840. Does that fact cause an approximation to the Scotch plain malt whiskey?—Yes; the whiskey that is produced in the distilleries referred to—one of them particularly—is very like Scotch whiskey, very like some of the Lowland malt whiskies.

4841. Will you give me the general composition of the mash that is used in Ireland for the manufacture of the patent still whiskey?—Roughly speaking, it is about one-third of malted barley, one-third of maize, and one-third of rye. These vary slightly in proportions, but that is approximately correct.

4842. A third of each, malted barley, maize and rye?—Yes, my lord.

4843. In Cork I believe there is one distillery where no maize is used?—Yes, they use no maize. The mash there is practically the same mash as is generally used in Ireland for making pot still whiskey—malted barley, unmalted barley and a small quantity of rye and oats.

4844. Apart from this Cork distillery is the proportion you have given us of the thirds what you believe to be used for the patent still whiskey throughout Ireland?—That is approximately correct.

4845. Has that proportion been in use for some years?—Yes, we have used it for a good many years.

4846. What should you say was the name generally applied to the whiskey manufactured under the conditions of those proportions?—The name that is generally applied?

4847. What is the name under which the product is produced and sold? What has it been called?—It varies. It is either "Whiskey" or "Grain whiskey," or "Grain spirit."

4848. Is it generally called "whiskey" or not?—It has really in the trade, if you take the trade first, always been recognised as "whiskey," although the term "spirit" has been used in connection with it. "Grain spirit" is quite a common term, but "grain whiskey" is also used.

4849. I can understand it being called "grain spirit" when the distillery is selling it to the licensed victualler or the retail seller, but if that production is produced in the public houses in Belfast or Londonderry what would the consumer call it?—"Whiskey." I do not say he would know anything about it; I do not believe he does know anything about it any more than about pot still, but it certainly is always considered as "whiskey."

4850. Would the consumer, an ordinary person who represents the public, ever go into a public-house and say, "Give me a glass of grain spirit"?—No, my lord.

4851. Do you think the same public, the consumer, knows anything about making a differentiation between pot still and patent still?—I do not think so. I do not think he knows, and I do not think he cares really. He does not concern himself about it.

4852. Would the publican selling to this consumer keep the two classes, the pot still and the patent still, and give one a glass of one and another a glass of the other, according to the demand made upon him? Would that be at all a common practice?—It is not very common, but in Londonderry for many years there has been a large trade done in grain whiskey. I do not know whether the public knows it is made in the patent still or not, but they know it is a different class of whiskey from the pot still whiskey, and there is a very large trade done in that in Londonderry.

4853. What do you mean by "in that"?—In that class of spirit.

4854. Both patent still and pot still?—Yes, both patent still and pot still.

4855. Do you think there that the discrimination prevails so that an ordinary consumer would say, "I want a glass of pot spirit," or "I want a glass of patent spirit"?—I do not think he would go the length of that, but he would certainly ask for grain whiskey. They do that largely in the North-West.

4856. If a man asks for grain whiskey what would he mean?—In that particular district he knows it is that particular class of whiskey which he likes.

4857. And which Abbey-street has manufactured?—Yes, my lord.

4858. But that, I suppose, depends upon the production, like in Scotland, where there are particular districts. You say particular distilleries have a particular class of whiskey?—Yes.

4859. That you say refers to Londonderry?—Yes, it does.

4860. There is another point I want to ask you about. It was, I think, in the early sixties that maize appeared as a constituent of the mash in the patent still?—Yes, that is the earliest record I can find of it. It may have been used earlier, but I cannot find any authentic record to that effect.

4861. You have a record with regard to the malting of maize by Watt and Co.?—Yes, David Watt and Co. memorialised the Board of Inland Revenue for permission to malt maize in 1863, and that was granted.

4862. You do not know, I suppose, whether unmalted maize had been used before that date?—I have no definite proof of that. It is very likely I should

think before they began to malt it that they used it unmalted.

4863. You have this proof that in the fifties before this date of 1863 that you have given me, that Watt and Co. were purchasing maize?—Yes.

4864. For use in the mash?—That is only presumption.

4865. What were they purchasing it for?—They might have been grinding it to sell as meal. They did conduct more or less a milling business, but I can find no records of Indian meal or maize meal being sold, although there are plenty of invoices of wheaten flour. That is just where the doubt comes in that although they bought maize they might have been using it for grinding into meal. That is why I do not like to say definitely that they were using it at that time for making whiskey.

4866. Was not the collection of fusel oil taking place?—Yes, fusel oil was collected in 1858.

4867. Where did that come from?—Off the patent still.

4868. What produced that? Was that not maize?—I do not know that it proves that necessarily. It was contended in the whiskey case that no commercial fusel oil was produced when the ordinary pot still mash is used. I do not think that is really the case, but if it is correct then we must have been using maize in 1858, for there was commercial fusel oil produced at Abbey Street Distillery in that year. I have a copy of a letter in which permission was asked from the Excise Department to remove a cask of fusel oil from the distillery in that year.

4869. (*Mr. Guillemard.*) But that conclusion of yours follows from a premise you do not admit?—If it is correct, then my conclusion follows.

4870. (*Chairman.*) You have given me already the proportions in the patent still of the three-thirds, and I will not go through them again, but you have a record of the different cereals to be used in your different distilleries?—Yes.

4871. Barley, rye, maize, oats and occasionally wheat?—Yes.

4872. I believe nothing but grain is used in your distilleries?—There is nothing used in our distilleries but grain.

4873. I am going to ask you to undertake a duty that is sometimes a very rash one, that is, to give a definition. How do you define "whiskey"?—I think it ought to be taken pretty broadly. I think it is a spirit which is made from cereals, and saccharified by malt. That is a broad definition, but I do not see that you can bring it within very much closer limits.

4874. Any cereal?—Any cereal.

4875. Grown in any country?—Grown in any country.

4876. We have a little anxiety on the subject of rice. Does that come into your cereals?—Yes. I do not see why rice should not be allowed to be used. I think it would practically settle itself, that is to say, the spirit produced from rice is what is called "hard." I do not think distillers of patent still whiskey would use it.

4877. I will not press you more on the subject of the definition, but I will ask you a little more about the flavours. Does the water according to your view affect the flavour of the whiskey?—Yes, I think there is no doubt about that.

4878. You think some of the districts that have got a reputation both in Ireland and Scotland have been helped by the water in the district?—I do.

4879. Has the pot still distiller a greater opportunity of dealing with the flavours than the patent still distiller?—Yes, he has.

4880. For what reason?—The amount of flavours which come over in the spirit produced in the pot still is greater, and if you vary the grain you get a more pronounced difference in the case of the pot still than you get in the patent still.

4881. I think the result is that the pot still whiskey has a greater flavour than the patent still whiskey?—That is so.

4882. You can vary that flavour by altering the materials, I suppose?—You can.

4883. And I suppose the result of all this is that an expert, a person who has studied the question, could tell by the flavours the difference between the two whiskies, the pot and the patent?—Oh yes.

4884. And I suppose also, apart from the difference in the two systems of manufacture, a person who is skilled can tell whether there is 25 per cent. of malt used, or whether there is 40 per cent. of malt used, and the rest made up of maize?—Yes.

4885. Whether it is made in a patent still, or a pot still, if you take a pot still whiskey an expert can tell you whether there was a difference of 25 per cent. or 30 per cent. in the amount of malt used in the one case and maize in the other?—He might not be able to tell you the cause of the difference. He would know there was a difference, but he might not be able to trace it to any particular thing.

4886. A person tasting it would know there was a difference in the taste?—Yes.

4887. I suppose the result is this, that at the Cork distillery where no maize is used it would have a different flavour to the whiskey produced at a distillery where maize is used?—Yes, the patent still whiskey made at Cork has quite a different flavour to any other patent whiskey made in Ireland. It is quite easily distinguished.

4888–9. Take the ordinary well-manufactured patent whiskey and the production of it. Supposing that was given to an ordinary consumer, do you think any ordinary consumer would say "This is not whiskey"?—It would depend a great deal on what he had been accustomed to drink. If he was accustomed to drink a highly-flavoured pot still whiskey and was given a patent still whiskey I would not go the length of saying he would say: "This is not whiskey," but he would think it was a totally different kind of whiskey, and he could not help remarking that it was different.

4890. You have got Londonderry still in your mind now, have you not, where they do drink the pot still whiskey?—It is not so much the pot still whiskey in Londonderry; it is very largely patent still.

4891. Belfast?—I do not think there either particularly.

4892. Take Dublin or Cork. If an ordinary patent still whiskey, manufactured according to the ingredients you have mentioned in thirds, was produced to an ordinary customer, according to you he would not be likely to say, "This is not whiskey at all—it is spirit"?—I do not think he would say "It is not whiskey."

4893. Does it pass all through Ireland under the name of whiskey?—Yes. He might say he did not like that whiskey, or he did like that whiskey, but he would not say it was not whiskey, even though he did not like it.

4894. We have obtained from you the total relative production of pot still and patent still, but according to your production a great many persons must take the patent still spirit both blended and unblended?—Yes, there is no doubt of that at all—both blended and unblended.

4895. This product is known also as "Self whiskey" in Belfast, is it not?—Yes—you refer to the patent still whiskey?

4896. Yes. What should you yourself, reading an advertisement in Belfast, regard that as meaning?—I do not quite follow.

4897. You are aware that evidence has been given that in Belfast whiskey has been sold which is advertised as "Self whiskey." If you have not had your attention called to it say so, but I understood from your evidence that you had had your attention called to it?—It is referred to as "old patent still whiskey"

4898. You say in your *précis*: "I also know that in Belfast the product of the patent still is advertised and sold as a 'self whiskey'"?—What I mean by that is that it is sold as unblended.

4899. Does "Self whiskey" mean that it is unblended?—Yes.

4900. Might it be patent still, or might it be pot still?—Exactly—patent still or pot still. A "self whiskey" is understood to be a whiskey that is an unblended whiskey.

4901. (*Mr. Guillemard.*) On that same point when you say it is unblended do you mean that a "self whiskey" must be the product of one particular

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distillation? Can a self spirit be a mixture of two pot still spirits made by the same distiller, or is it confined to one? Supposing a distiller is making two or three pot still products of rather different strength and character, may he mix two of those, and would that be a "self whiskey" or not?—Strictly speaking, I think it would not, but if made in the same distillery it might.

4902. It would not be strictly that, but it would be called that ?—Yes; it might be.

4903. I should like to ask you a few questions about the suggestion of compulsory bonding. I take it that you say that unless public health can be shown to demand it you think there is no case?—I think not.

4904. If the public health is shown to demand it, and it is decided that there shall be some system of compulsory bonding, you attach great importance, do not you, to this point, that it will be necessary, if you are going to make the system fair as between man and man and spirit and spirit, to have a different period of bonding for the different classes of spirit?—Undoubtedly. I do not see how you can very well ask that a spirit should be kept in bond for, say, five years which only requires one or two years to be thoroughly matured.

4905. Quite so. Then it would be necessary, on your principle, to fix a different bonding period for pure pot still whiskey, for pure patent still whiskey, and for blends?—That is so.

4906. That would be only possible, would it not, if there was an accepted definition of each of those three varieties of whiskey?—Exactly. And further, there are many varieties of pot still whiskey, and there are practically no two pot still whiskies that mature in the same time, so if you were to arbitrarily fix a definite period for pot still whiskey you might be doing some pot still distillers very great hardship.

4907. That is not exactly my point. My point is this, that if on your principle it is desired to fix a different period of compulsory bonding for the pot still whiskey on the one side, and of patent still whiskey on the other, it is clear that somebody must be able to point to an authoritative definition of pot still whiskey and patent still whiskey?—That is so.

4908. As the Chairman points out, it would be not only that you would have to have a definition, but that it must be a definition that would be capable of proof in the case of a particular spirit?—Yes, what is pot still and what is patent still would arise at once.

4909. Then the general line you take with regard to compulsory bonding, I take it, is in accordance with the views of the majority of the trade witnesses who came before the Select Committee of 1890 and 1891?—Yes.

4910. You have not altered your position?—No, we have not altered it.

4911. I have been a little puzzled at the sittings of this Commission to find that whereas all the trade witnesses objected to compulsory bonding in 1890 and 1891, yet there is a tendency for some trade witnesses now either to say that they are in favour of compulsory bonding, or perhaps to hedge a little about it, and say they do not think it will do any particular harm. That is a distinct change of attitude, and at present I am in the dark as to what is at the bottom of it. Have you any explanation to offer? You may not know because it is rather asking you to explain other people's views?—I gather that practically there are two reasons. One of them is that distillers see that the public, rightly or wrongly, consider old whiskey better than new whiskey, and they think it would be as well to let them have it.

4912. That is one reason?—Yes.

4913. Am I right in thinking that they can take that view pretty comfortably, because if they keep it a year, or two years, or three years, they can not only ask, but get, a higher price for it?—Yes, but the public would have more confidence if bonding were compulsory. Some members of the trade think the public would have more confidence if they knew that no spirit could go out of bond until it was matured. That is one reason. Then the second reason I think is this, that when the Select Committee sat in 1890 and 1891 the trade generally had not the necessary stocks of whiskies, and they had not the necessary warehouses.

4914. They made a great point that providing the necessary warehouses would be a great hardship?—Yes. Now many of them at any rate have the necessary warehouses, because in the years 1897, 1898 and 1899 there was really far too much whiskey produced; there was a boom, and there was too much produced then; there was serious over production, and warehouses had then to be provided.

4915. You are speaking of Scotland?—Scotland principally. They had to build warehouses then. They got the stocks up and they have never really gone down since, so that they are in a sense prepared.

4916. You think that even at this moment in Scotland they are holding stocks that represent the same state of things as if compulsory bonding had been in force for two or three years?—I think in Scotland that is pretty nearly the state of affairs.

4917. According to your view, when they are ready to agree to a change no change is really involved as far as they are concerned?—No. They have the stocks and they have the warehouses. That is not in every case, but generally speaking.

4918. Now come to Ireland. Is the state of things different in Ireland?—Yes, it is undoubtedly, as far as patent still distilleries are concerned anyhow.

4919. There is not a redundancy of stocks?—No, there is not.

4920. You feel pretty sure about that as regards patent still whiskey?—Yes.

4921. You are possibly not so sure about pot still?—I am not so sure about pot still. I think probably they have stock enough of pot still.

4922. The reason I ask is that I think I am right in saying that some of the witnesses from Ireland who represented the pot still distillers had no objection to a compulsory bonding?—That is so. They must keep their pot still whiskey in bond. It is not fit for consumption when new. Until it gets a good many years old it is not potable.

4923. There is only one more point I need put to you. Do you think the attitude you have taken up to-day will be the attitude of the producers of the patent still whiskey in Ireland, looked at broadly as a whole trade?—Yes, I think that is the case.

4924. You told us with regard to the amounts that there was about twice as much patent still spirit produced in Ireland as pot still in a year?—Yes. Of course, that is an estimate. I do not think it is very far out.

4925. Have you any idea of what relative proportions are drunk in Ireland of those two products?—I have no means of knowing that.

4926. To put it the other way, you do not know how much is sent out of Ireland for blending in England?—No, I could not tell.

4927. Do you send any out to England to be blended?—We do so, but it mostly goes through the blending houses in Belfast.

4928. You blend it yourselves and send over the product?—No, we do not blend it ourselves; we sell it to the Irish blenders, who blend it, and send it over to England and Scotland.

4929. Then you do not know how much is sent out of Ireland as patent still spirit unblended?—No, I have no means of knowing.

4930. There is one point I think you refer to in your *précis* of evidence. When a distiller supplies whiskey of his own to a blender who blends in bond what is the general practice? Does the cask go with the distiller's name on it?—Yes.

4931. (*Mr. J. Y. Buchanan.*) You say that your firm began to make patent still spirit in the year 1833?—Yes, the still was erected in 1833, and it commenced to work in 1834. That was when it first began to produce.

4932. And thereafter you went on and have been making patent still whiskey ever since?—Yes, for 75 years.

4933. Of course, the patent still spirit was a perfect novelty at that time in Ireland?—I find, according to some old letters that I have come across, and which I produce, that even in 1833, there were other patent stills at work in Ireland. There was at least one if not two in Cork; there was one in Dublin certainly in 1838, and one in Dundalk at

least 60 years ago, so that it was not merely confined to the North of Ireland, but it was all over Ireland, you may say, north and south.

4934. But when it came on it must, of course, have struck the people as a complete novelty in drink?—Yes, and I should think, having regard to the nature of the pot still whiskey produced then, that a mild-flavoured patent still whiskey must have struck them as being rather nice.

4935. It met the public wish at the time?—Yes, I should think so. I think that is the natural inference to draw.

4936. The pot still whiskey was a very raw product at that time?—Yes, it was so. There was practically no bonding done at that time. It was new or almost new when consumed.

4937. So at that time I suppose the patent still whiskey was at first sold really as a self whiskey?—Yes, I should think that at first it was all self whiskey.

4938. And the sellers of whiskey would hardly at first think of blending it with the then pot still whiskey?—No, I should think that would come on later.

4939. Might it not be that the pot still whiskey producers began then to alter their practice in order to make something more palatable?—I think it is very likely that the patent still not only, as I mentioned before, was the cause of the pot still distillers keeping their whiskey in bond until it matured, but also probably it led to the third distillation being practised in Ireland in order to produce a whiskey that would be more palatable when it was young and new.

4940. Then it is pretty certain at the beginning when the patent still whiskey was produced, that in Ireland there was a considerable sale of patent still whiskey as a self whiskey without blending?—Of course, I have no definite proof as to how it was sold to the public. I know it was sold as such to the publicans and to the trade generally, but that is all I can say about it at that time.

4941. The Cork patent still distillery, you tell us, has quite a special flavour. Is that mostly sold as a self whiskey to your knowledge?—No, I cannot tell you. I do not know much about how it is sold.

4942. But as a matter of fact, in Ireland there is, I suppose, from the figures that you have given us, much more patent still whiskey drunk than pot still?—I should say so.

4943. We are told there are eight million gallons produced of the one and four million gallons of the other?—Yes.

4944. Is it probable that the patent still whiskey is now exported to double the extent of the other?—I have really no means of knowing that.

4945. You cannot form an opinion whether the patent still whiskey is principally drunk in Ireland or not?—No, I should not like to say.

4946. (*Dr. Horace T. Brown.*) I gather from some of your replies that you are not only a practical distiller but that you have also knowledge of the scientific principles underlying your practice?—I have a little general knowledge. I have not had much to do with the practical work lately.

4947. Do you know what the chemist means by fractional distillation?—Yes.

4948. In your opinion is the pot still an apparatus which produces a fractional distillation?—I think there can be no doubt about that. It is a fractionating process.

4949. You regard that as beyond all doubt?—I do not think anybody who knows even the rudiments of the chemistry of distilling can doubt that.

4950. You would not consider that the whole of the volatile impurities that are produced through fermentation come over from the wash into the finished product?—I am quite satisfied they do not.

4951. So you regard both the pot still and the patent still as producing fractionation?—That is so.

4952. But, I suppose, in a different degree?—Yes; the patent still is undoubtedly more powerful as a rectifying apparatus.

4953. You mentioned in your evidence that charcoal and alkalis are sometimes used in the pot still. Is that frequently the case?—I think practically all Irish pot still distilleries use at least charcoal, and some of them very largely.

4954. Is that in order to prevent the still from running foul?—It is really with the idea of oxidising some of the bye-products.

4955. The influence of the alkali would be, would it not, to decompose some of the esters—the compound ethers?—Yes.

4956. Is soap used to any extent in the pot still?—Yes, it is used by some distillers.

4957. Merely, I suppose, to prevent frothing?—That is so.

4958. Do you think it has any effect beyond that?—There would be decomposition of the acids in the wash by the soap.

4959. It would have an effect similar to that of an alkali?—Yes, it would have, more or less.

4960. I have been looking over your statement, on page 14 of your *précis*, with regard to the cost of the materials in pot still and patent still whiskies respectively. You have amplified those particulars in the statement you have handed in?—Yes.

4961. I suppose the particulars at the head of this paper refer to those in your *précis*?—Yes, they do.

4962. Could you tell us what is about the average yield of proof spirit per cwt. from the materials you use?—About $5\frac{1}{2}$ or $5\frac{3}{4}$ gallons.

4963. That is the figure we had the other day?—Yes.

4964. You think it averages that?—Pretty nearly.

4965. Do you think your maize would give you a higher yield than malt alone?—Rather higher. I suggest rather more if you take steps to thoroughly gelatinise it.

4966. Did you ever see anything as high as seven proof gallons per cwt. of maize?—No; we do not get anything like that. It might be possible under certain conditions.

4967. I see in these particulars which you have handed in that you put the price of your own barley malt at 7s. 2d. per cwt. That is only equal to 21s. 6d. per quarter of 336 lbs.?—But I think you will notice that that is not the price of the malt; that is the price of the barley from which the malt was made with in-leak added; it is the price of the original grain.

4968. It is put in as barley malt?—But there is the in-leak taken into account.

4969. What is that?—The loss during malting; there is so much barley used to make the malt, and the price refers to the original barley, not to the malt.

4970. But the finished malt will cost you more than 7s. 2d., will it not?—Yes, certainly. That is the price of the barley from which the malt is produced.

4971. I do not quite understand that. You start with your grain at 448 lbs. How much malt did you start with here. What does that represent in actual hundredweights of malt?—There were 192 cwts. of home barley malt used; adding on 25 per cent. for in-leak or loss during malting we obtain 240 cwts., which represents the barley required to produce 192 cwts. of malt. 240 cwts. at 7s. 2d. equals £86—the amount charged against the malt. The labour and coal required for malting are included in the labour and fuel account of the distillery.

4972. You refer to the bye-products at page 16 of your *précis*. Do you mean by that the grains, and so forth?—Yes.

4973. Do you make yeast in Ireland?—Yes, we make yeast; that is one of the bye-products referred to.

4974. That is not taken into consideration in the cost?—No, none of the bye-products are taken into consideration, neither in the pot still nor in the patent.

4975. That reduces the cost of the material in your patent still?—Undoubtedly, and that is one of the reasons why patent still whiskey can be made cheaper than pot still.

4976. I do not think we have had that in evidence?—I gave that as one of the reasons in my *précis*.

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4977. Do you mention specially yeast?—I say "The bye-products of the industry are more fully utilised."

4978. Can you give us any idea how much the spirit would be reduced in price by the utilisation of the yeast for bakers' purposes?—I really would rather not answer that question.

4979. But it does make a considerable difference?—Oh, it does. There is no doubt at all about it.

4980. (*Dr. Cushny.*) Do you know if fusel oil has ever been got from the pot still? Is it ever separated?—Not in quantity. You may get a minute quantity, but it is never got in a commercial quantity.

4981. Where is it got from when it is got in a minute quantity?—From the patent still.

4982. But when it is got from the pot still—is it ever separated?—No, it practically is never separated. It really passes away partly in the spent wash and partly in the spent lees.

4983. (*Chairman.*) We are very much obliged to you, Mr. Virtue, for the evidence you have given.

The witness withdrew.

Mr. W. H. Ross.

Mr. William H. Ross, called.

4984. (*Mr. J. Y. Buchanan.*) Are you the managing director of The Distillers Company, Limited, Edinburgh?—I am.

4985. You have held that position for eight years?—Yes.

4986. Previously you were general manager and secretary of the same company?—Yes.

4987. The company was formed in 1877 by the fusion of six of the largest patent grain distilleries in Scotland?—Yes.

4988. And from time to time there have been included in the same company various distilleries, until at the present date, I think, you have altogether twelve distilleries in Scotland, one in Ireland, and the latest acquisition is the Vauxhall Distillery at Liverpool?—Yes, that has only recently been acquired.

4989. Is that the only one in England?—Besides a gin distillery in London. It is the only whiskey distillery.

4990. Are the distilleries belonging to the Distillers Company practically all patent still distilleries?—No, there are various classes. We have six entirely patent still distilleries, of which only five are working at the present; six contain both patent and pot stills, of which only five are now working; and two are purely pot still distilleries of which only one is in operation.

4991. Are these mostly in the Lowlands of Scotland?—The Scotch distilleries are entirely in the Lowlands.

4992. Have you any Highland pot still distilleries?—No, with the exception of one pot still in the Highlands, near Keith, in Banffshire.

4993. You have been responsible for the buying of all the grain used in the distilleries?—I have for the last 18 years.

4994. Can you give us an account of the grain that is principally used in your distilleries?—We use barley, maize, rye and oats. The barley will represent about 30 per cent. of the whole, and is nearly all malted, while part of the rye is also malted. We use no diseased grain, roots or molasses, and these articles have never been bought by me during the last 18 years that I have had charge of the grain buying, but in respect of the Vauxhall Distillery at Liverpool, which we have only recently acquired, they buy molasses for the purpose of producing industrial spirit.

4995. Is the barley principally local or is it foreign?—Mostly all foreign for our patent still distilleries. We use local barley for the Highland distillery. I may say I have brought samples with me here of the various qualities of the grain we use. I thought it might interest the Commission, although I hope we may have some members of the Commission visiting our distilleries when they will see the grain on the spot, but I thought it might interest the members of the Commission to see the qualities of the grain we do use. These samples have been taken from recent purchases and recent arrivals of cargoes. The first I have here is a sample of Danube barley out of a ship that arrived in February. I have also a sample here of the malt made from the same barley. (*The witness produced a number of samples.*)

4996. (*Chairman.*) What is the result of the knowledge you wish to convey to the Commission by looking at these samples?—Only to see that it is thoroughly sound grain.

4997. (*Mr. J. Y. Buchanan.*) What proportion of maize do you use?—Taking the whole of our patent still distilleries for the past year, 1907, I find we use 46 per cent. of maize. We use 32 per cent. of grain malted, and 21 per cent. of rye, and 1 per cent. of oats. We use different proportions at different distilleries, but that is the average for the whole distilleries of the year.

4998. What is the price you pay for these generally?—That also varies, but at the present time we are paying for barley about 28s. per quarter of 448 lbs., which is equal to 7s. per cwt.; maize about 25s. 9d. per quarter of 480 lbs., which is equal to 6s. per cwt.; rye about 35s. per quarter of 480 lbs., which is equal to 8s. 2d. per cwt.; oats about 19s. per quarter of 336 lbs., which is equal to 6s. 4d. per cwt. These prices are ex ship at the port of discharge.

4999. Is it your opinion that in the patent still it is necessary to use quite as high a class of barley as for pot stills?—Quite.

5000. Would not the method of production in the patent still, where steam is used, make it possible to use a slightly inferior barley without producing any perceptible taint to the whiskey?—No. I think any damaged grain would show itself in the finished product with the patent still just as it would do in the pot still, although probably not to the same extent.

5001. What proportion of foreign barley is used in the different distilleries?—You mean in the patent still distilleries?

5002. Yes?—We use entirely foreign barley.

5003. And do you do that not on account of its cheapness, but because it is of better quality?—It suits our purpose, and is really in some respects better than the home-grown barley.

5004. Would you tell us something about the production of spirits in Scotland during the past three years?—For the three years ending 31st March, 1905, 1906, and 1907, the total production of spirits in Scotland was for the year 1905, 25,185,235 proof gallons; 1906, 23,812,839 proof gallons; 1907, 24,839,870 proof gallons, or an average of 24,612,648 proof gallons per annum. Of the above quantities there was produced by means of the patent stills in Scotland in 1905 13,013,895 proof gallons; 1906, 12,269,459 proof gallons; 1907, 13,801,092 proof gallons, or an average of 13,028,148 proof gallons per annum. So that of the total production of spirits made in Scotland more than half is now made by the patent still.

5005. In that connection we had from Mr. Virtue the statement that in Ireland there are 8,000,000 gallons of patent still whiskey to 4,000,000 of pot still whiskey. So that in Ireland there is twice as much patent still whiskey made as pot still whiskey, whereas from your figures here it would appear that the quantities of patent still whiskey and pot still whiskey are equal in Scotland?—Yes, nearly so.

5006. I had always been led to believe that in Ireland pot still whiskey was by far the greater amount?—That is not so.

5007. It appears that Ireland is relatively a greater patent still producing country than Scotland is?—Yes, there are a very large number of pot still distilleries in Scotland, about 130, or some such number as that, of pot stills, to 10 or 11 of patent stills.

5008. Are the pot stills in Scotland larger than those in Ireland?—No, they are smaller.

5009. But they are greater in number?—They are greater in number.

5010. How does the production in Scotland compare with the total production of spirits in the United

Kingdom?—I have made a careful computation of the various grades of patent still and pot still whiskies made in the three kingdoms during the year ending the 31st March, 1907, and I make out that in England practically the whole amount is from the patent still. There may be a small quantity made in pot still in Bristol, I think, but practically it is of little importance, and I have taken the whole as being made from the patent still. There are 13,424,854 gallons. In Scotland the proportions are for patent still 13,801,092, for pot still 11,038,778 for the 31st March, 1907. In Ireland I have put it at rather less than what Mr. Virtue puts it. Probably his figure is more correct than mine, but I assumed in making my calculation that there were 7,500,000 gallons made in the patent stills in Ireland to 4,553,184 of pot still. I take it approximately at 7,500,000 gallons of patent still, and I take the balance as pot still.

5011. (*Chairman.*) Have you any comparison for the back years?—No, my lord. This is really a matter that we can only get from private sources.

5012. (*Mr. J. Y. Buchanan.*) Will you now proceed with your figures?—In the year 1890, when the Select Committee reported at that time, out of the total make of 40,900,000 gallons we had stated in that Report 25,000,000 were produced by the patent still process and 16,000,000 with the pot still process.

5013. (*Chairman.*) That is in the United Kingdom?—Yes. So since that time there has been, roughly, an increase of 9,500,000 gallons, all of which is patent still. The pot still manufacture has remained absolutely the same as it was in those days.

5014. In this evidence you have given to-day have you mentioned England?—I mentioned the whole three kingdoms.

5015. (*Mr. J. Y. Buchanan.*) The pot still only occurs in Ireland and Scotland?—There may be a very inappreciable quantity of pot still made in one distillery in England.

5016. You quoted some figures given before the Select Committee in 1891. Have you any remarks to make upon them?—I thought it would be interesting to see how the quantity disposed of at the present time compared with 1891, and I find in the Report of the Select Committee that the quantity passed into consumption during 1890 was 28,000,000 gallons. For the past year the proportion is 32,511,316 gallons. Then there was exported in 1890 3,500,000 gallons, and for the past year there was exported 7,341,077 gallons. Then there was used for methylation during 1890 1,500,000 gallons—that was the British spirits as against what was imported from abroad. For the past year it was 6,055,285 gallons. Then during 1890 there was used for medicinal purposes and tinctures 1,000,000 gallons. We have no figures for that class for the past year, but for arts and manufactures there was used 435,915 gallons. Then there is the quantity estimated as lost by evaporation in 1890, 2,500,000 gallons. For the past year the Inland Revenue Reports do not give the information under this head, but making the deductions from the other figures, the balance left which really would be waste by evaporation is 5,845,863 proof gallons. So that the total outgoing in 1890 was 36,500,000, and last year it was 52,189,456 proof gallons, or an increase, roughly, of 15,700,000 gallons.

5017. What conclusions do you draw from those figures?—The natural conclusion is that the consumption has increased of every description, both for potable and for non-potable spirits, and that the product of patent still spirit has vastly gone up compared with what it was in 1890 and 1891.

5018. Can you give us some account of the proportions of the two classes consumed as whiskey in March, 1907?—I have tried to arrive in a very rough way at the proportions used as whiskey during the year ending the 31st March, 1907, and the following are my conclusions. Of course you are aware these are not official figures, and I could not arrive at them in any other way than by a very rough computation. But the grain distillers are a very small proportion in the country, and we can compare notes with one another, and find out how our production and consumption seem to be going. In that way we regulate as far as possible our production to the consumption. Unfortunately the malt distillers and the pot still distillers are not in the same happy position, and they sometimes make a great deal more than what is necessary for the consumption in the country, but these figures are arrived at from various sources, and I think can be taken as fairly accurate as we can possibly give them. The total quantity of patent still spirit made during the year ending 31st March, 1907, was 34,225,946 proof gallons.

5019. (*Chairman.*) In the United Kingdom?—Yes, my lord. I deduct from that quantity what was used for industrial purposes, which is entirely made out of the patent still. It is the cheaper product, and therefore is used where a cheaper alcohol is required. There was used for industrial purposes during that year 6,055,285 gallons. Used in arts and manufactures 435,915 gallons. Then I have taken the approximate quantity for gin at 6,000,000 gallons. That figure, my lord, I cannot vouch for at all. It was given as the figure in 1890-91. I endeavoured to arrive at an approximate figure by asking a London distiller, but he was unable to tell me anything about it. He said he thought I should be correct in assuming the quantity for gin was pretty much the same as it was in those days. So I have taken the figures which I have mentioned, 6,000,000 gallons, which means that I deduct from the total patent still spirit made 12,491,200 gallons, which leaves 21,734,706 proof gallons of patent still whiskey made during that year. But in addition to what was made during that year the patent still distillers cleared from bond in excess of their make in Scotland about 1,500,000 gallons; in England about 350,000 gallons, and in Ireland about 650,000 gallons. So that adding these three quantities to the former residue we get a total quantity of spirits used as whiskey by means of the patent still of 24,234,746 proof gallons. The total quantity disposed of during that year for home consumption, less gin, was 26,511,316; exported, 7,341,077; and waste by evaporation, etc., 5,845,863, giving a total outgoing of 39,698,256, of which the patent still accounts for 24,234,746, or about 61 per cent. of the whole, leaving for the pot still 15,463,510, or about 39 per cent. of the whole. I believe that is a conservative estimate of the relative consumption of the two classes of whiskey. I have heard it stated generally by the trade that it is about two-thirds to one-third, but in working it out in figures I arrive at these percentages: 61 per cent. against 39 per cent. Yet it is stated by the pot still distillers that the predominant partner in the blend should not be entitled to the name of whiskey.

5020. I suppose in Scotland the principal amount of whiskey drunk is patent still?—Certainly. There is more patent still than pot still drunk.

5021. I think you have a pamphlet issued by your Company in 1905, giving a short history and development of the grain whiskey industry, which you would like to hand in?—Yes. (*Handing in same.*)

(Adjourned for a short time.)

5022. (*Mr. J. Y. Buchanan.*) You were going to give us some historical details, I think?—If I may, I should like to refer to the last paragraph in the pamphlet which I have handed in, and which sums up pretty much the grain distillers' view of this question. In that pamphlet I state: "In conclusion, the claim is made for Scotch grain whiskey that it has supplied, and is supplying, a much-felt want for a lighter form of stimulant than is available in the heavy malt whiskies; that it has increased the sale of these malt whiskies by the skilful manner in which it is blended therewith; and that, as the whiskey of commerce is now undoubtedly a blend of malt and grain whiskies, nothing should be done to interfere with the name which it has justly earned for itself, viz., 'Scotch whiskey.' If it is desired to have a more distinctive title for pure Highland malt whiskey, there is nothing to hinder such a whiskey being so described, and thereby distinguish it from its more popular competitor, which will be quite content with its present sobriquet, 'Scotch whiskey.'"

5023. In Scotland, of course, you talk of "whiskey," simply?—Yes.

5024. As a matter of history, of course it is not in your recollection, but in business have you documents to show when it was that whiskey was really exported from Scotland into England?—No definite data, I think, can be submitted to you with regard to that fact, but undoubtedly it was after the blending of

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whiskey came into operation, which was about the year 1860. It was after that date that whiskey was actually introduced into England; not in large quantities to start with, but from that date onwards it was sold as whiskey.

5025. The unblended whiskey before that date would not have suited public taste?—No, I think not.

5026. I suppose it was really the large manufacture of patent still whiskey that made it possible to do so, because that gave you a milder form of whiskey?—I think there is no doubt of that fact.

5027. The exportation from Scotland to England of whiskey is now very large?—Yes, very large.

5028. Have you any figures you can give us as to that?—I think the Inland Revenue Commissioners' report for last year gives the figures as between England, Scotland and Ireland. In England there is consumed of whiskey 22,000,000 gallons, in Scotland 6,800,000 gallons, and in Ireland 3,600,000 gallons, roughly.

5029. You wish to make some remarks about Irish whiskey?—The earliest records I could find of the composition of Irish mash was in 1600. First of all, as to the term usquebaugh, which is supposed to be the origin of the word "whiskey." Usquebaugh was not really whiskey, but "an article which was flavoured with raisins, fennel seeds, and other things mitigating the heat, and making the taste pleasant." That is the way it is described in 1600.

5030. (*Chairman.*) What ingredient was usquebaugh?—Barley principally, but it was flavoured with other essences. Then in "Morewood's History of Inebriating Liquors," published in 1838, it is stated that "In 1590 it nowhere appears that the Irish then distilled from any description of grain but what had been malted, as the practice of using raw grain is of much later date." In the same book it is stated that the spirit made from pure malt is considered superior to that made from a mixture of malt and grain. By this time only illicit distillers used entirely malted grain, as "from a want of scientific knowledge and proper utensils they conduct their business in a different manner from that pursued by the licensed traders." It would therefore appear that pot still whiskey as now made in Ireland is neither in material nor method the same as was originally employed, but is a development on what was described as scientific lines just as the patent still process at a more recent date became.

5031. (*Mr. J. Y. Buchanan.*) The distillation in both countries has been a matter of development?—Yes.

5032. Now, have you anything to tell us with regard to the Scotch practice?—With regard to Scotland, I can produce an old copy of the "Encyclopædia Britannica," dated 1815, in which an article appears on the manufacture or the distillation: "The kind of grain employed in this country for manufacturing whiskey is barley. The processes are easier and the spirits produced have a more agreeable flavour when the barley is malted. But, in consequence of the duty upon malt, a portion of unmalted grain has been introduced into the distilleries. This portion has been gradually increased, and amounts very commonly to four-fifths, and in some cases, it is said, to nine-tenths of the whole mixture of raw grain and malt."

5033. (*Dr. Horace T. Brown.*) That is the article by Professor Thomson I think?—I saw that in evidence, and I am rather afraid that Professor Thomson must have quoted this article, because this is 1815.

5034. That article in his book is dated 1849?—Then I think it might almost follow that his article was an extract.

5035. He wrote that article evidently quoting from an older article?—Very likely. Then there is another paragraph I should like to read from this article, because it goes into the description of distilling in those days. It finishes up with these words: "Such is the mode followed in Scotland for obtaining whiskey. The distillers are at pains to purchase the best English barley which they can procure. They are certainly in the right to select English barley for malting; for English barley when malted yields more spirits than in the state of raw grain. But for that portion of the grain which they use in the distilleries without malting, it would be their interest to employ the best bigg which they can procure. For good bigg, while in the state of raw grain, yields rather more spirits than an equal quantity of the best English barley. And as it can be purchased at a cheaper rate than barley, it could obviously be employed with economy, as a substitute for that grain. Bigg is greatly deteriorated by malting it; of course it would be improper to employ it in distilleries in that way. But the distillers might employ it in the state of raw grain with great advantage." Now I point to this article as showing that at that time, as at present, the distillers really used the material which they thought most profitable; their object in using English barley at that time apparently was for the sake of economy. They got better results from it, and it was more economical than using their own beer, or bigg.

5036. (*Mr. J. Y. Buchanan.*) Is "bigg" barley?—A kind of barley, but a different kind of barley from that at present in use.

5037. You have something to say about the introduction of maize into the distilling?—Yes, it was after the introduction of the patent still. It was not introduced until after that, and it was not imported into this country until long after the introduction of the patent still.

5038. The principal reason being that it flavoured the whiskey more than the other?—Yes, it was not available in those early days.

5039. When it came to be imported the pot stillers did not make use of it?—No.

5040. Was that because it tainted his whiskey?—I do not know the reason, but I suppose their own particular product was of a certain character, and they did not choose to alter that character.

5041. Which it certainly would have done?—Yes. It certainly would have done to some extent. The earliest records I can find in our own company's possession are that in the years 1864 and 1865 maize undoubtedly was used in the mash at two of our distilleries at that time—namely, Cambus and Cameron Bridge, but I have gathered other evidence from old people who have stated that in 1859 maize was used at that time, but, as I say, we have actual brewing books in 1864 and 1865 which show that maize was used then in the mash.

5042. Had the change of the duty on Irish spirit any effect on the production?—The duty on Irish spirits was raised in 1858 to the same level as that on Scotch spirits. That probably was the beginning of the Irish grievance as far as Irish whiskey was concerned. Then, again, in the year 1860 the duty on both classes of spirits was raised to 10s. per gallon.

5043. It is from about that date that you date the general practice of blending?—Yes, before that date there was a little blending went on duty paid, but the Government at that time allowed blending to be conducted in bond, which undoubtedly gave a very great fillip to the art of blending, and from that date, I think, was traced the present practice of blending.

5044. Have you any knowledge of how whiskey was sold in Scotland before that date, was it sold by the name of the distillery or how?—It was sold mostly by the name of the distillery. Of course previous to that date the railway facilities were not so great as they are to-day, and the custom of drinking whiskey was very largely a local one in the neighbourhood of the distillery. If it was malt they drank malt, and if it was near grain they drank grain whiskey. The difficulty that was experienced at that time was that if a man who wanted a particular kind of spirit or who drank a particular type of whiskey in one district of Scotland migrated to another district he did not get the same particular flavour of whiskey that he had been accustomed to, and he was inclined to think that that was not the same kind of whiskey he was getting, and objected on that account. In Ireland, on the other hand, the flavours of pot still whiskies were generally alike or very nearly alike, and I think to that has been traced the fact of the general practice in those days of Irish whiskey being preferred to Scotch.

5045. You speak of the general practice in England?—Yes. Irish whiskey was a settled thing, and in Scotland we had various varieties of whiskey. They knew which one they would get when they asked for Irish, and to that practice is attributable the blending which came into vogue.

5046. At first when the patent stills came in that was mostly in the neighbourhood of the large towns?—Yes.

5047. I suppose patent still whiskey first came into vogue in the towns?—Yes.

5048. And that displaced the old form of whiskey?—Yes.

5049. (*Dr. Cushny.*) Do you know if the Excise made any difference in them?—They do not now, but I do not know whether they did at that time. Now it is all British plain spirits.

5050. (*Mr. J. Y. Buchanan.*) You note that in 1874, 1875, and 1876, the plea that blending was fraudulent was brought forward?—Yes. I have an article here from the "Irish Times" of the 5th April, 1876, giving the discussion which took place in the House of Commons on that date. I think the arguments that were used at that time were very similar to those that are used now, that good old Irish whiskey made in a pot still was entitled to the name of whiskey, and that everything produced by the patent still was silent neutral spirit. The discussion was brought in by Mr. W. H. O'Sullivan, an Irish member, who claimed that this practice of blending in bond between pot still and silent spirit was a fraud and should not be permitted, and he petitioned for the appointment of a Committee of the House of Commons to inquire into this matter, and eventually the Motion was defeated by 69 for the Motion and 149 against. I should just like to read a little bit from the report of what Mr. Anderson, of Glasgow, the mover of the Amendment, said: "Mr. Anderson moved an amendment declaring that in the opinion of the House blending was not necessarily adulterating, and it was inexpedient to deprive traders in British spirits of trade facilities which were allowed to traders in foreign spirits and wines and various other bonded articles. He said that on previous occasions when this question was brought forward, he had refrained from contradicting many of the statements made, but he had come to the conclusion that the greatest lies in the world, if sufficiently reiterated, would at last get somebody to believe them. (Laughter.) The whole object of this motion was an attempt on the part of the Irish distillers, who found that their trade had been slipping away, to get it back again. They found that they could not get the extravagant prices which they used to get years ago, for it had been discovered that malted spirit could be made by another process—a more pure spirit than the Irish, and a better spirit (laughter), at a considerably lower price, and because the Irish distillers found that they could not keep up their old price, they wanted to get the Chancellor of the Exchequer to go to their assistance, and endeavour to keep it up for them."

5051. Do you wish to call the attention of the Commission to the report of Dr. Harris?—It is not the actual report, but it is an extract from the "Daily Express" of Tuesday, August, 6th, 1907. The same material was given in all the larger provincial papers of that date. It is headed: "What is pure whiskey? Islington Medical Officer's comparisons." Then it goes on: "Many interesting comparisons between pot still whiskey and patent still whiskey are made by Dr. A. E. Harris, Medical Officer of Health for Islington, in his annual report. The following are extracts from Dr. Harris' remarks:" Then he puts them in two columns, "Pot still whiskey" and "Patent still spirit." First of all he states: "Pot still whiskey (1) costs as it comes from still at lowest, 2s. 6d. per gallon. Patent still spirit (1) 10d. to 1s. per gallon. (2) Pot still whiskey is kept three years before using, and each year adds at least 6d. per gallon to its cost. (2) Patent still spirit is generally used at once, and consequently it is sold at one-third to one-sixth of the price of pot still. (3) Pot still whiskey greatly improves on keeping. (3) Patent still spirit. Little or no improvement in keeping." I need not read the whole thing, but in regard to the materials employed this is what it says as to patent still spirit: "It is generally made in this country from Indian corn, but it is sometimes distilled from potatoes, beet, or even saw-dust.

5052. (*Dr. G. S. Buchanan.*) You do not know whether he is referring to a patent still for distilling spirit in general or whether he is referring to patent still whiskey in particular?—No. The article was published all over the United Kingdom, and the only inference was that it was to damage the patent still product generally I think. I might at this point introduce another cutting from the "Westminster Gazette" of the 23rd of last month, that is after the Commission had begun to sit. The article is headed: "The Patent Still.—By a revenue official." It goes on to describe the two processes of the pot and patent still, and finishes up with this: "Such is Coffey's Distilling Apparatus, or, as it is spoken of now in the present controversy, the patent still. It produces spirit quickly, and it produces that spirit strong and free from accompanying impurities from the 'wash.' It is seldom, if ever, used for distilling a 'wash' obtained from malt and grain. It produces spirit from a 'wash' made from a variety of substances, such as molasses, sugar, glucose, or bran. But the spirit is itself pure, and has its commercial value for making cordials, such as British brandy, for methylation, or for other purposes." I should just like to say here that this is a sample of the articles that we have been treated to in the public Press for the last two or three years, and more than one article has appeared under the name of "By a revenue official."

5053. (*Mr. Guillemard.*) The name is always anonymous?—Yes.

5054. And I take it that he will remain anonymous?—Yes, I suppose so. We endeavoured to obtain the name of the Revenue official, but we were only told that as it was a paid article they could not divulge the name. That is only a sample of the articles that have appeared during the last two or three years, to the detriment of the patent still product. The arguments have always been to that effect, but the "Revenue Official" ought to know at this time of day that patent still whiskey is sometimes made from malt and grain, and is not always made from molasses, and, in fact, that no molasses, beetroot, or potatoes are used in this country, I think, for the production of whiskey.

5055. (*Mr. J. Y. Buchanan.*) That article says it produces a good and pure spirit from these various ingredients like molasses, and so forth. I should think the fair conclusion which the public would draw from it is that it would produce still better spirit from good material, such as is known to be used in whiskey distillation?—Yes, but there it makes use of the statement that no grain is used in patent still—"seldom, if ever," are the words used.

5056. One can put it in different ways. I think you have something to say about the price at which the patent and pot still whiskeys can be supplied?—I go into the question of the important differences in pot and patent still, and show how it is that one class of spirit sells at a higher price than the other. First of all, I draw attention to the fact that the two classes of spirit are not sold at the same strength. Grain whiskey in Scotland is always sold by the proof gallon; in Ireland at 25 over proof gallon. Malt whiskey in Scotland, if in the Lowlands, is sold by the proof gallon, and in the Highlands at 11 over proof gallon. In Ireland both patent and pot still whiskeys are sold at 25 over proof gallon. Another important difference arises when whiskey becomes old. The practice in Scotland is universal that where malt or grain is sold it is at the original gallon. In Ireland the pot still distillers sell on the bulk gallon, and if any loss occurs in bond it is not charged to the customer. They charge only on the actual quantity in the cask at the time it is cleared or invoiced.

5057. In Scotland do they charge on the original contents of the cask?—Yes. In the evidence given before this Commission most of the Irish distillers have altogether failed to recognise the difference, so that when a celebrated Irish whiskey is sold at 5s. per gallon in Ireland that is only 4s. per proof gallon comparing it with a Scotch grain whiskey article. Then I also mention in my evidence that the pot still distiller never charges, or very rarely charges, for bond rent. In the case of grain distillers they all charge bond rent. After the first six months if it is the distiller's wood we charge rent, and after twelve months if it is in buyer's wood, or if we supply casks and charge for them, we then charge warehouse rent after twelve months. That rent is at a scale which works out at 1d. per proof gallon, or ·90d. to 1d. per proof gallon. That is added to the price when the whiskey becomes old, whereas in the pot still whiskey it has to be included in the original price charged, and that accounts materially for the difference in the

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price between one article and the other. Other questions which influence price are (1) the materials included in the mash; (2) the method of distillation; (3) the location of the distillery and the conveniences for getting the raw material in and the finished product out; (4) the capacity of the distillery and the length of time it is kept working each year; (5) the goodwill in the name represented by extra profit. Then I can give the different prices ruling at the present time for the different classes of whiskey: Highland malt whiskey, 3s. to 4s. 6d. per 11 over proof gallon; Islay whiskey from 3s. 8d. to 3s. 10d. per 11 over proof gallon; Campbeltown whiskey from 2s. 6d. to 2s. 9d. per 11 over proof gallon; Lowland malt whiskey from 2s. 2d. to 3s. 2d. per proof gallon; Scotch grain whiskey from 1s. 6d. to 1s. 7d. per proof gallon; Irish pot still whiskey from 2s. 6d. to 5s. per 25 over proof gallon; Irish patent still whiskey from 1s. 9d. per 25 over proof gallon. Allowances come off all these quotations according to quantity taken, also for wood, removal, and cash, but these I have discarded in every case. These are the cost prices charged.

5058. You compare the differences of the price of the whiskey with the price of the mash which would produce it. What is your conclusion as to that?—My calculation is that between the highest priced whiskey made at the present time in the pot and in the patent stills the difference in the mash in the actual grain used will not be more than 4d. per proof gallon. In the case of Irish whiskey it will not be so much owing to the practice of using a large proportion of unmalted grain. The difference between pot still and patent still in fuel and wages will not exceed 1d. to 2d. per proof gallon, according to the location of the distillery. The cost of the delivery of the whiskey and the agent's commission accounts for a considerable sum in the case of Highland malt whiskies, but does not apply so much to Lowland malts or Irish whiskey. Then in the items which I have enumerated here 4 and 5, the capacity of the distillery and the length of time it is kept working each year and the goodwill in the name represented by extra profit, these amount to anything. Patent stills are usually run all the year round, and with the large turnover their working charges are kept fairly low and a smaller profit suffices. In the case of the pot still there are many distilleries which are closed down six months in the year, some more and some less. As regards the small Scotch malt distilleries this shutting down is not so serious as the plant is usually small and very few men are kept on during the stoppage. It is different, however, with the large Dublin pot distilleries, some of which are not being worked beyond a fourth of their full capacity. This naturally runs up the cost, but does not add a fraction to the value of the whiskey. You can see, of course, that if a distillery is kept standing for six or nine months in the year and a highly-paid official or manager is there employed the cost of the quantity made is materially increased, but that does not in any way increase the value of the whiskey.

5059. The distilleries that are shut up for six months in the year are shut up because there is not sufficient demand?—To a great extent of course, but there are other considerations. Undoubtedly they do not get the same results in the warm weather as they get in the cold weather, but that is not the entire cause. If they had the trade they would keep on working for the whole twelve months. There are one or two of the Highland malt distilleries that work through the whole year, but those are exceptions.

5060. In recent years has much been added to the pot still distilleries in the country? If nearly all of them are lying for six months idle it would make one suppose that there would be no great additions to the plant of the distillery?—In the north of Scotland during the last fifteen years there have been made great additions to these distilleries for the simple reason that trade was undergoing a boom at the time, and every one thought to make Scotch whiskey, it was something like a gold mine, and they could not produce enough; every distillery wanted to be in the swim and get the benefit of that extra trade, but at the present moment there is a very large number of these distilleries shut down entirely, showing it to be a mistake and that there is not the trade for them. That is to a large extent the cause of the present slump in the malt whiskies.

5061. Has the number of pot stills gone back to about the number that it was before the boom?—Those working I suppose would be approximately what they were before.

5062. So that the pot still production is pretty well stationary?—Yes

5063. And any development in spirit production falls upon the patent still?—Yes. I think I have shown in these statistics I have given that the whole increase has been in the patent still product. I think I also should say that to sum up the whole difference in cost between the patent still and the pot still whiskey so far as the materials and the process are concerned is at most 6d. per proof gallon. Any additional prices charged must be put down to the location of the distillery, the fixed charges which run on when the distillery is standing, the necessity for including the storage charge in the price and the need for a large margin of profit owing to the small turn-over. These last-named items, while a justification for the distilleries charging a higher price, in no sense enhance the intrinsic value of the whiskey.

5064. Going back to what you said just now with regard to the price of the whiskies, you stated that allowances come off all these quotations according to the quantity taken, also for wood, removal and cash. Does that come off what you said just now?—In one case I am taking the selling price and in the other case the cost price.

5065. I understand?—I think it may be put in a very rough and ready fashion, as the ordinary profit of patent still whiskey to the distiller. I mean if you take 1d. per proof gallon on the patent still article the pot still article derives 10d. to 1s. profit.

5066. You mean the profit on the pot still whiskey is ten or twelve times as much as on the patent still?—I do.

5067. (*Chairman.*) Is that as between the distiller and the merchant?—Yes, as between the distiller and the merchant. After it goes into the merchant's hands the profits are divisible in different ratios. The patent grain distillation has been held up before this Commission as being a very profitable concern, but the profit arises through the large quantity or turnover which they have, and it is not on the large profit per gallon.

5068. Is that 1d. that you give us relatively or actually 1d.?—It is relatively as 1d. is to 10d. or 1s.

5069. Would you object to give the actual profit?—Not at all; I have a statement that I can put in. I can put in the actual cost of two distilleries, which I can vouch for. These are the actual working costs. (*The same was handed to the Commission.*)

5070. Have you the selling price, too?—The selling price of the grain whiskey is 1s. 6d. per proof gallon, malt whiskey is 3s. 6d. 11 over proof, or brought down to the proof strength it will be about 3d. off—3s. 2½d. or thereabouts.

5071. I will not give the figures, but the profit is much greater relatively than the cost of pot is?—Yes, the profit on the pot is greater.

5072. You gave 3s. 2d.?—3s. 2d. proof for the pot still whiskey.

5073. Is that the selling price?—Yes.

5074. There is a great difference in the cost between the pot and the patent. The selling price is much higher in the price of the pot?—Yes, very much higher.

5075. You have given as reasons the non-constant employment and non-occupation of the premises, and so on?—Quite so.

5076. If it be that in the trade there is a common price as it gets to the retail consumer, someone gets a good deal of advantage upon these figures that you have been mentioning?—I do not know that that follows. When it comes to be blended together the question is whether the blender does not use an older whiskey in the blend than would be the case if he sold it pure.

5077. Take the pure whiskies. If pure pot and pure patent is sold at the same price, that means the higher price, then somebody gets a good deal of profit out of that?—If you come to add the duty.

5078. But the duty is the same for both?—That is the very point that I think is often overlooked. When

you come to add the duty on to the price the ratio between the one cost and the other is very small indeed.

5079. There is that difference remaining still on the gallon?—Still, the percentage is very small.

5080. The man gets a difference between what we may call X and Y when it gets to the gallon?—It is represented usually that the price of pot is two or three times the price of patent; but I say that is not so.

5081. You are right. You say that when you get to the blending you get the matter removed?—Yes.

5082. (*Mr. J. Y. Buchanan.*) You say the Scotch malt distillers benefit by the growth of blended whiskies?—Yes, I think they do. I mean to say by that, I think that but for blending, the trade in pure Scotch malt whiskey would not have been so large to-day as it is; that is to say, it is the introduction of the blend that has caused the greater consumption of malt whiskey.

5083. At the same time, there is a great consumption of pure, plain grain whiskey, is there not?—There is. When you say "great consumption," of course it is relatively small, but there is very considerable consumption.

5084. Is there in Edinburgh and Glasgow, and the large towns, a very considerable sale of pure grain spirit?—Undoubtedly.

5085. Would you say that the ordinary public-house traffic in Edinburgh and Glasgow is principally in grain spirit?—No, I should not go that length. I should not go that length. I should say that the principal consumption in the towns is of blended whiskey; probably 80 or 90 per cent. of the whole sale would be blends in varying proportions.

5086. I am talking about the ordinary cheap whiskey that is sold over the counter, which probably would not be blended with more than 10 per cent. of malt whiskey?—Probably that is so in the low-class public-houses.

5087. We have heard from several witnesses that even pure grain whiskey is very much fancied by a large number of workmen in Scotland?—Yes, undoubtedly. There are some parts of Scotland—in the neighbourhood of the grain distilleries—where that is so. To take the town of Alloa, near Stirling, where we have three distilleries in that centre, there is very little else than grain whiskey drunk. There are three distilleries in the neighbourhood of Alloa, and there they ask for whiskey under the name of the distillery, and all the local publicans there sell grain whiskey pure. It is the same in Fife where Cameron Bridge whiskey is made. Cameron Bridge is a grain distillery, and up till 10 or 15 years ago I suppose 80 per cent. of all the whiskey sold in Fife was pure Cameron Bridge. Now, since the blends have been developed so largely, that proportion may not hold good, but even now the large preponderance of whiskey sold in Fife is pure Cameron Bridge.

5088–9. You wish to say something about the use of the name "whiskey," and its application to patent still spirits equally with pot still spirits?—Yes. In Scotland the practice, of course, is to call whiskey either whiskey or spirits. The old practice in Scotland amongst the general public was to describe it simply as spirits—asking for a glass of spirits or a glass of whiskey, and the practice is the same even to this day to find people asking for it under the name of spirits. The two words are really synonymous.

5090. "Spirits" was considered somewhat of an euphemism?—Yes.

5091. Instead of using the bald word "whiskey"?—Yes.

5092. (*Chairman.*) I suppose there is no other spirit drunk in Scotland but whiskey? They do not drink gin in practice? Is not that so?—That is so; the principal liquor is whiskey.

5093. They do not drink brandy or gin as a practice?—No.

5094. (*Dr. Horace T. Brown.*) I found the same thing in the old reports of 1798 and 1799—that the words "spirits" and "whiskey" were used indiscriminately?—Yes. It is very much the same with the words oats and corn. In Scotland the word "corn" is usually applied to describe oats. "Corn" applies to all grains, wheat, rye, barley, or oats. If a farmer says he has sold 50 quarters of corn he means that he has sold 50 quarters of oats, and in the same way the word "spirits" applies to "whiskey."

5095. (*Mr. J. Y. Buchanan.*) It is used as a delicate way of putting it?—Yes; especially among the female fraternity.

5096. I suppose there is no doubt that if you rule out patent still whiskey there is hardly any whiskey in Scotland?—That is so.

5097. I think you have something to say about the improvement of patent still whiskey by keeping. The statement that it improves in keeping has been a great deal contested?—Yes. Before I go to that I do not know whether further evidence is required as regards the name "whiskey" and "spirits," because I can produce invoices dating back to 1830 and onwards where the terms "Aqua Vitæ," "spirits," and "whiskey" are applied indiscriminately, whether from malt or grain distilleries. I have those invoices here.

5098. (*Chairman.*) Will you take one as an example?—I will take the earliest records that I have. I have here an invoice dated 17th July, 1830, from a distillery at Edinburgh, where there is a pure malt whiskey invoiced as "Aqua Vitæ," and the price at that time was 7s.

5099. How do you know it was pure malt whiskey?—There was no patent still in those days. This is 1830, prior to the date of the introduction of the patent still. Further on it amplifies it, and calls it "peat malt," and it is charged at that: "Two casks aqua vitæ," and further down it calls it "peat malt." In another invoice it uses the word "aqua," striking out the word "malt," showing that at that time—namely, in 1830—"aqua" was made from some other substance than malt. I shall hand these in, so that the Commission can see them. That process really goes down. I would also like to show you a grain invoice from the Cambus Distillery, then owned by Mr. Robert Moubray, the predecessor of the Distillers Company of Cambus. It is dated 25th February, 1867. This was after the introduction of the patent still. It invoices two puncheons of aqua. I may say that Cambus used this word "aqua" to describe their product down to about two or three years ago. They never described it by any other name than "Aqua." Then I wish to refer to two invoices here in favour of John Graham, of Glasgow. One is dated 21st December, 1878, by a Campbeltown distillery, McMurchy, Ralston, and Company. This distiller invoices his product as "Spirits," which was a pure malt whiskey. The same week the same firm received an invoice from our own company, from Glenochil Distillery, of the 26th December, 1878, where it is invoiced as "Two puncheons whiskey." In one case it is invoiced as "Spirits," in the other as "Whiskey."

5100. (*Chairman.*) And perhaps they were both wrong?—That may be, but in those days it appears they were no nearer coming to a definition than we are now. Then I can give many instances which I have here, but it would take up the time of the Commission too long. There is one very excellent example in the Highlands, the Highland Park Distillery, Kirkwall, Orkney, in November, 1907. On the front of the invoice they mention two casks containing so many gallons of aqua, and on the back of the invoice they put: "Conditions under which whiskey is sold and held at the Highland Park Distillery." Then they go on to describe it as follows: "All spirits will be held free of rent charge," and so on, so that on the same invoice we have the words "Aqua," "Whiskey," and "Spirits" all applying to a Highland malt distillery. Many of the Highland distilleries at the present time do describe their products still as "Aqua"—in fact, so far as I can see, there is no case of a Highland malt distillery describing their product as "Scotch whiskey" even down to the present day. They describe it by the name of the distillery either as whiskey simply, calling it Cardow, Glen Grant whiskey, or any other class of whiskey or aqua. Cardow, I believe, has up to within a few years ago called it "Aqua"; that is one of the noted distilleries.

5101. (*Mr. J. Y. Buchanan.*) Are there any special proprietary blenders that call it aqua in preference to whiskey?—I do not think so.

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5102. It does not come to the public as aqua?—No, it is between the distiller and the dealer. The name spirits and aqua are used indiscriminately. After it comes from the merchant to the public in every case it is called whiskey.

5103. (*Chairman.*) In going to the public it does not come from the distiller, but going from the merchant to the public is it ever described as blended whiskey if it is blended?—Sometimes. I think a number of firms call their product blended Scotch whiskey.

5104. They state it as a fact?—Yes. Then in regard to prices. Here is an example of an auctioneer's catalogue in 1888, where it describes Cameron Bridge, Carsbridge, and Cambus, Glen Ochil, all of which are patent still distilleries under the name of "Scotch whiskey." Then I have here some lists sent out by merchants or dealers. There is one of September, 1894, by James Calder and Company, Limited. Price list of Scotch whiskeys in bond. The Scotch whiskeys that he gives include Boness, Glen Foyle, Cameron Bridge, Cambus, Caledonian, Carsbridge, and in fact every one of these whiskeys which are pure grain whiskeys, with the exception of Glen Foyle, are described as "Scotch whiskeys." You will find in this list some of the prices mentioned run up to fairly high figures, as high as 5s. 9d. in the case of Cameron Bridge, for a whiskey twelve years old.

5105. (*Mr. J. Y. Buchanan.*) I suppose that is about the maximum which you would have for patent still? No, I think you will find grain whiskey as old as 20 years.

5106. (*Chairman.*) Under what circumstances would that reach 20 years old? Would that be intentional for the purpose of trade?—Yes. They will be very old liqueur whiskies where they use the grain to blend with fine rich old malt—they require the grain to marry or to blend the several malt whiskies a little closer together. Then I have another list here from Matthew Robin and Son, of Glasgow, dated 1894. At that time they were very large holders of all classes of whiskey, and when they describe their list of parcels of whiskies they do not call them either Scotch or Irish or anything else, but simply whiskey. They put them in the order of grains, Lowland malts, Campbeltowns, Highland malts, Islays, and Irish Taking the prices of these I have looked at several here to show the relative ageing of the whiskey. In the case of Cambus we have whiskey of December, 1893, that is a little less than a year old at the time when this list was published, which is quoted at 1s. 6d. in distiller's wood. That of May, 1884, that is ten years old, is quoted at 4s. 6d., also in distiller's wood. It has been suggested that grain whiskey only improves by being kept in a cask that has contained sherry, but here is a case where whiskey has been kept in distiller's wood that has never contained any other whiskey than Cambus, and they make out that that particular whiskey in ten years has increased in price from 1s. 6d. to 4s. 6d. Then take the case of Lowland malt. I have a case here which is quoted in November, 1893, at 2s. 4d., and in December, 1889, at 3s. 3d.: that means about 3d. per annum added for age. In the case of more than one whiskey it was 4d. per annum. Then take another Lowland malt, Wishaw, November, 1893, 2s. 4d.; December, 1890, 2s. 11d., a difference of 2½ pence per annum. In the case of Campbeltown, Hazelburn, December, 1892, 3s. 1d., and December, 1888, 3s. 11d., a difference of 2½d. per annum. Then Highland malt, Cardow, March, 1894, 4s.; March, 1890, 5s. 10d., a difference of 5½d. per annum. That is on the bulk price and not on the proof price.

5107. (*Mr. J. Y. Buchanan.*) The point being that patent still whiskey improves as well as malt so as to command a very much higher price?—Yes. I have a dozen other lists here, and I could amplify them in the same way.

5108. That is not necessary. You tell us you have put on sale for experimental purposes pure Cambus whiskey?—Yes. Our reason for doing so was that both at Islington and Clerkenwell it was stated most distinctly that if the public knew they were getting grain whiskey or spirit made through the patent still, they would not drink it, and that they would not have it. We wished to put this to the test, and immediately after the Clerkenwell case was decided, or rather when they came to no agreement, we put before the public a pure patent still whiskey. It had been sold in Scotland before that, pure and unblended, both over the bar and direct from the distillery, but so far as we were concerned we had never put it before the public direct on the London market. I will show you the bottle itself so that you will see we did not hide anything. (*The same was handed the Commission.*) We describe this as pure patent still Scotch grain whiskey. Then we gave the name of the Distillers' Company, Limited, Edinburgh, and we further put at the bottom of the label, "This is whiskey in its purest and most wholesome form. It is distilled in Coffey's still, which is acknowledged to be the most scientific form of still yet invented, and is noted for its freedom from fusel oil. Nothing but the very finest grain and malted barley is employed in its manufacture, and it is the healthiest of all whiskies to drink."

5109. (*Chairman.*) Is that your own composition?—Yes.

5110. You did your composition justice in that description. What was the sale?—We sold several thousand cases of that, my lord, but we sold it under very disadvantageous conditions, because it is not our business to sell direct to the public. Our only reason for doing so was to give a guarantee to the public direct from the distiller that there was no blending or adulteration in any shape or form, but that it was pure patent still product as sent out from the distillery. We put it for sale into the hands of different houses who had their own brands to sell in preference to this, who would not be likely to push the sale of it, and they only supplied it when requested to do so.

5111. Are you going on manufacturing it now?—Yes. We are going on manufacturing it at the present time. One witness stated in evidence here the other day that the demand so far as his firm was concerned had not reached more than two cases. Whether it was due to the prominence given to his evidence here or to the very peculiar merits of this whiskey I do not know, but he sent an order the next day for another case. I wish to show you at the same time the different advertisements that we put out to show what we said about it. That is a show card that we put out at that time. (*The same was handed to the Commission.*)

5122. (*Mr. J. Y. Buchanan.*) Have you any more to say about the Cambus?—Only this, that we had had a comparatively large sale for the Cambus pure in Scotland long before this arose, and we have at other distilleries sold pure grain whiskey. I applied to a Cambus distillery within the last two or three weeks to find out the extent of trade that they sold pure in the district, and during the last year they supplied to the local trade surrounding the Cambus district nearly 10,000 gallons of pure patent still whiskey, which was sold over the bars direct to the public who asked for it as Cambus whiskey, who know that it is a patent still product, and that it is made from maize and other substances that we use, because the general public all over Alloa see the train loads of grain going into the distillery. There is no secret of it, and in spite of this fact they ask for this particular article knowing what it is made from and the process by which it is made. For the last 30 years, ever since the Distillers' Company was formed, they have carried on a comparatively small trade among private customers. It is not a trade we cultivate at all, because our sale is with wholesale dealers, but Cambus had a family trade before we took the distillery over, and these customers have been continued, sometimes altered and varied, but at the present time we are supplying over sixty customers direct with small 10-gallon kegs of Cambus whiskey. This is invoiced as grain whiskey or grain aqua in some cases. Most of these customers have been supplied with whiskey for the last 20 or 30 years. There is another matter I wish to bring before the Commission, which is the practice of filling in distillers' wood.

5113. (*Chairman.*) Is the Cambus one of the Alloa whiskies?—Yes. We have at Cambus Distillery a number of distillers' casks, casks that have never contained anything but Cambus whiskey; there are 15,226 casks; branded oak casks, namely, 2,308 puncheons, 11,631 hogsheads, 1187 quarters, and 100 octaves.

5114. How many gallons is a puncheon?—About 140 proof gallons. The proportion filled in sherry wood casks as compared with plain wood of grain whiskey would be about 20 per cent., and at our Highland Malt

Distillery we fill about 33 per cent. or 35 per cent. in sherry wood, so that we actually fill more at our Highland Malt Distillery in sherry wood than we do at our grain distilleries. I think that clearly shows that it is not the sherry flavour that gives the character or improvement to grain whiskey.

5115. (*Mr. J. Y. Buchanan.*) With the grain spirit do you put it into new wood or do you begin with a fresh cask, or do you season it in any way?—I do not think any whiskey, be it grain or malt, is improved to the same extent by putting it into new wood as it is by putting it in a cask after it has matured and has contained whiskey. There is a certain harshness in the whiskey coming from the wood, that is lost after the cask has been used for some time.

5116. How do you season the casks before you put the best whiskey in?—The casks are subjected to a steaming process and otherwise to draw off the woody flavour. There is nothing the distiller has to fight against so much as the woody flavour which the casks impart to the whiskey. If we ever get a cask of whiskey with this particular flavour in it it is rejected and has to be re-distilled before it can be used.

5117. You have mentioned in your *précis* about the different classes of Scotch whiskies, have you anything to say about them?—I think this has already been brought out pretty clearly in evidence, that there are various classes of malt whiskey sold in Scotland. There are Highland malts, Lowland malts, Islays, Campbeltowns, and grains, all distinct classes of Scotch whiskey, while out of a mixture of two or more of these have evolved the blends which comprise the large bulk of the trade in Scotch whiskies to-day.

5118. In one of those lists that you read just now—I think it was a whiskey house—they detailed their whiskies as "Highland," "Lowland," and so forth, and "Irish," so that they used Irish as a qualification just the same as Campbeltowns or Islays?—Yes.

5119. You have some suggestions here supposing the name has to be altered. Have you anything to say about that?—As regards labelling I do not advocate that such should be done. I think it begs the question to start with, and it really would involve the question that patent still or grain whiskey was not whiskey. I do not think there should be any further discrimination between grain whiskey and malt whiskey than there should be between Highland malt and Lowland malt whiskey. I object strongly to Highland malt whiskey being sold as such which contains any proportion of grain. I would equally object to grain whiskey being described as such containing any proportion of Highland malt. I think the classes are distinct entirely, but they are all Scotch whiskies. The only classification that could do good would be if you are going to sell pure unblended whiskey, describe it by the name of the distillery and also probably add the same as in Cambus, patent still grain whiskey or Highland Malt Whiskey, Lowland Malt Whiskey, or Campbeltown Whiskey, but if it is blended then it should become "Blended Scotch Whiskey."

5120. Would you keep the name "Whiskey" for the potable spirits distilled in Scotland and Ireland?—Quite so.

5121. Would you exclude the potable spirits distilled in England?—No. Whiskey I think could be made equally well in England, Scotland, or Ireland.

5122. Would you have a specific term "Scotch Whiskey," "Irish Whiskey" and "English Whiskey"?—You can sell it either as "English Whiskey" or as "Whiskey."

5123. You would not admit any foreign spirit?—No, not as either Scotch, Irish or English whiskey. Whiskey can be made outside the United Kingdom, such as Canadian Whiskey, but they cannot be classified as part of the United Kingdom.

5124. It would come to this that whiskey would be the distinctive name for potable spirit distilled in the British Isles?—Quite so, from cereal grains.

5125. And then you could add whatever special specification you liked which was correct?—Quite so.

5126. That is to say "Irish" if it was distilled in Ireland, "Scotch" if it was distilled in Scotland, or if you want to go more nearly to the root of the matter, the particular distillery or, say, blend, but you would keep the word "Whiskey" for the potable spirits distilled in the British Isles?—Yes.

5127. Have you anything more to say about that?—No, there is really nothing. If labelling is to be done it could of course only be done in the way you suggest.

5128. Of course there are the blends which have fancy names?—Mostly registered brands.

5129. They partake of the character of a trade mark?—Yes.

5130. You have here something about your company's stock. Have you anything to say about that 29,000,000 proof gallons? Have you anything to tell the Commission particularly about that?—It shows really that it explodes the idea that patent still whiskey does not improve. We have 29,000,000 gallons of patent still whiskey in our bonds at the present time. That does not belong to the distillers, but belongs largely to our customers, who are paying rent charges, and I hardly think it likely that these customers would pay for the whiskey and hold it for years if it was not maturing.

5131. What percentage of that lying at your stores would the unsold be?—The unsold, I should say, would be less than one-fourth of the whole. Three-quarters of it are sold.

5132. (*Chairman.*) Have the customers paid for the whiskey? Are you holding it after sale?—The customers pay for the whiskey when it is sold to them.

5133. You find the accommodation?—Yes, we find the accommodation and charge a rent.

5134. (*Mr. J. Y. Buchanan.*) The duty is not paid?—No; the duty is actually paid when it goes out of bond.

5135. (*Chairman.*) The Excise officer has superintendence over it while it is in bond?—Quite so.

5136. Is that your average?—Yes; 29,000,000 gallons is rather less than what we have had during the last two or three years. It has been going down the last two or three years. We have held as much as 33,000,000 gallons, I think.

5137. (*Mr. J. Y. Buchanan.*) During the boom period?—Yes.

5138. (*Chairman.*) What is the average number of years it remains in bond?—I have got those figures here. In dealing with the warehousing, to show the large extent to which warehousing has been instituted in Scotland, our own company since 1877, that is 30 years since its formation have expended in bonded warehouses £335,000. That has all been done to furnish the trade with the requisite accommodation to mature their whiskey.

5139. (*Mr. J. Y. Buchanan.*) You give details here of the amount of your stored whiskies by the number of years?—Yes. I have gone very carefully into these figures, so far as our own company is concerned, and have taken the year 1906. These figures were got out some time ago, and, after deducting the quantities we sent out direct from store—that is, without its being bonded at all—for rectification and methylation purposes, also deducting what was removed new by customers to their own bonds, not for immediate consumption, the balance of the clearances for that year was made up of 27 per cent. under one year's age, 14 per cent. over one year and under two years, 11 per cent. over two years and under three years, 11 per cent. over three years and under four years, 13 per cent. over four years and under five years, 24 per cent. over five years. This does not even show the full age at which the whiskey went into consumption, because our customers may hold it a considerable time in bond—either unblended or after it is blended. I should say you require to add at least six months to these figures to get an accurate idea of how soon it goes into consumption. I should think it would be safe to reckon that about 33 per cent. of our grain whiskey goes into consumption under two years of age.

5140. (*Dr. Horace T. Brown.*) It shows 41 per cent. on your figure?—Yes, 41 per cent. as it stands; but I say if we reckon the time the blender keeps it himself, and take the difference between the one year and the two years and add it on, you will find about 33 per cent. may be reckoned as a fair estimate; so that the blenders at the present time are doing to a very large extent what it is suggested should be done by compulsory bonding.

5141. (*Mr. J. Y. Buchanan.*) 67 per cent. is, as a matter of fact, bonded for over two years?—Yes. That,

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I should think, is a very much larger percentage than was the case in 1890-1891, when the Select Committee reported before, so that the opinion expressed at that time, that blenders were doing themselves what was required, has been maintained and augmented. They are getting older whiskey now than ever they did before.

5142. Assisted by what you pointed out, namely, that, when the boom came, it was necessary to build stores to keep the whiskey?—Yes.

5143. The going off of the boom had something to do with the ageing of the whiskey?—Yes.

5144. (*Chairman.*) Has the retail price gone up with the age?—I do not think so. I reckon that the price of the whiskey to-day is rather lower than it was, but as to that I could not speak with any accurate knowledge. I am told on all hands by the blenders themselves that they are putting a more aged whiskey into their blends than ever they did, and they have not advanced their prices.

5145. Have you anything else that you wish to add?—Yes.

(*Chairman.*) Then the Commissioners must ask you to attend again to-morrow morning.

The witness withdrew.

Adjourned to to-morrow, at 12 o'clock.

ELEVENTH DAY,

Tuesday, 7th April, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
H. T. BROWN, Esq., LL.D., F.R.S.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

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Mr. WILLIAM H. ROSS, recalled.

5146. (*Dr. Horace T. Brown.*) I should like to ask you a few questions about the prices which you have given us for materials, and so forth. I see this list on page 2 of your *précis* does not include malt. The prices for barley, maize, rye, and oats per cwt. are given, but we have not the price of the malt, which I suppose would be something like 10s. a cwt., would it not?—Yes, I should say that would cover it. We make all our own malt, of course.

5147. With regard to barley, maize, rye and oats, I suppose those prices are not the prices when the grain is kiln dried?—No, they are as they come into the distillery.

5148. In kilning you take out 7 per cent. of moisture, do you not?—From 8 to 10 per cent. in the case of maize.

5149. So we have to raise those prices in order to compare them with the malt to the extent of 7 or 8 or 9 per cent?—Yes.

5150. If we take 7 per cent. that will bring barley to 7s. 6d. per cwt. against 10s. for the malt; and the maize to about 6s. 6d., the rye to 8s. 8d., and the oats to about 6s. 9d.?—Yes.

5151. On page 13 you have given us some further particulars. You say, I think, that the difference in cost is 4d. a gallon?—Yes.

5152. Your words are, "Roughly speaking, the difference in the cost of the mash between the highest priced whiskey and the patent still whiskey will not be more than 4d. per proof gallon"?—Yes.

5153. I have been trying to check that from these prices you have given me, and I make it about 5d. or 5½d.?—This figure was taken from actual experience over the whole twelve months, but, of course, it may vary in accordance with the price of the materials at the time that you take it.

5154. If we take these prices of materials, I make the difference between a malt mash and a mash of one-third malt, one-third maize, and one-third rye to be about 5½d. a gallon?—I should say probably it might work out at that.

5155. You perhaps have a little understated that difference?—As I say, I took it from actual experience of the prices during twelve months; but it may be so according to present values.

5156. You have given us some necessary corrections to apply to the price of whiskies when we are comparing the patent still whiskey or the Lowlands whiskey with the Highland or the Irish whiskey?—Yes.

5157. It seems to me that is rather an important matter. I have made those corrections, in order to see how these various prices compare, and I find that the highest price you have given us for Scotch grain is 1s. 7d. at proof, and the lowest price for Irish pot still at proof is 2s. So that they approximate very closely there?—Yes.

5158. But you say that if those whiskies were kept for five years there would be a rent charge on the patent still whiskey which would not affect the other one?—Quite so.

5159. But simultaneously with that, of course, those whiskies would be increasing in value?—Yes.

5160. The question is: do they approximate closer together in price as new whiskies or with age?—That depends very much, I think, upon the brand of whiskey. Some pot still whiskies increase more than others. The lower price pot still whiskies, I believe, do not increase in value to the same extent that the higher class pot still whiskies do.

5161. But do they advance in value more rapidly than the Scotch grain, or as rapidly?—As a general rule, I do not think they do.

5162. You have used here an argument that in comparing the two prices we must bear in mind there is a rent charge of 4d. on one and not on the other?—Yes.

5163. If we compare those two whiskies of five years old and put the rent charge on one we must also at the same time increase the value of the whiskies in the ordinary way?—Yes.

5164. The question is whether that brings them nearer together or further away?—I do not think it

materially differs. Of course, you have the lower price to start with in the one case, and the interest on that is not so heavy as on the dearer article.

5165. So that, taking those figures, we may regard the higher priced Scotch grain as very nearly equal in price to the pot still?—The lower priced pot still.

5166. Another important point connected with cost which you have not mentioned here, and it is one which perhaps affects the patent still distiller more than the pot still distiller, is the question of the utilisation of the bye-products—the yeast, for instance. Yeast, I suppose, is manufactured mainly in the patent still distilleries, is it not?—Entirely.

5167. I suppose the pot still distillers could not manufacture yeast economically?—It has never been done, at all events. I do not think it is possible.

5168. The intermittent nature of their work, I suppose would be against it?—Yes.

5169. They are closed down for six months in the year, and therefore would not be able to maintain a trade which they had acquired in the winter?—That is one reason.

5170. It struck me that that was the reason?—I do not know that that is the only reason. I do not know that it is possible, even in a pot still, to get the result even when they are working; but I would not like to give a strong opinion on that, as I am not a practical distiller.

5171. You use filter presses for your wash?—Yes.

5172. I suppose the utilisation of the yeast materially reduces the cost?—At one time it did, but I do not think it materially reduces it now to the same extent. The price of yeast in the market has fallen considerably, and we do not get the same results from it that we did when we started making it.

5173. We had a price given us by Mr. Tedder, in the first day's evidence. He mentioned something like £35 to £40 a ton?—Yes, about that. When we began to make this same quality of yeast, about 20 years ago, the price would range up to £60 a ton.

5174. But even at £35 a ton I suppose there is a very good saving?—There is a good profit, otherwise we should not make it.

5175. And that is a very large business, I suppose—one that we have taken, practically, from the Germans during the last few years?—Yes, it is very large.

5176. Do you know what the whole yeast business amounts to in a year?—I should say the total manufacture would be 20,000 to 25,000 tons a year of British yeast.

5177. That is exclusive of what you use in your distilleries?—Yes.

5178. Then that would come to a very large figure?—Probably that may be overstated, but certainly from 20,000 to 25,000 tons, I should say.

5179. Do the patent still distillers practically supply the whole of the bakers with yeast now?—No, there are still large quantities which come from abroad from Denmark, Holland, Germany, France and Belgium. Belgium, during the past two or three years, has come in as a very strong competitor against the British maker. I should think the imports at the present time would be about 200 tons a week from the Continent.

5180. You do gain, of course, some advantage in respect of that in your patent still whiskies?—Yes.

5181. I went into a little calculation last night to see if I could form some idea of what the difference was. I was looking at it entirely from my general knowledge of fermentation, and not from any special knowledge of distilleries. If I put it on a piece of paper would you mind telling me whether it is something near the mark?—If it is possible for me to do so with my general knowledge also, I should be very glad.

5182. I will put it in the form of a possible reduction in price per gallon?—I should think you are pretty nearly right.

5183. You have no objection to the other members of the Commission seeing what I have written?—None whatever. Of course, I do not vouch for the entire accuracy of that, but I think it is approximately correct.

5184. If labelling of the blends were carried out as has been suggested by some people, you would like to see that labelling carried out thoroughly?—Yes.

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5185. How would you suggest that the Irish whiskies should be labelled in the cases where a certain amount of grain has been used in their preparation?—I do not think in labelling, if it is a blend, that you can go further than call it a blended Irish whiskey. Any proportions that you could put on would, I think, give no guidance to the public as to what the result would be.

5186. I am not speaking of it as a blended Irish whiskey, but an Irish pot still whiskey, which, of course, is made partly from grain. Would you require it to be labelled differently from the Scotch pot still whiskies in which no grain has been used?—In the case of the Irish pot still whiskies, I think they are usually labelled, and should be labelled: "Irish pot still whiskey," as against, in the case of the Scotch whiskey, "Scotch malt whiskey," or "Scotch pot still malt whiskey" if it is entirely malt.

5187. But you would not contend there should be any indication to the public that the Irish whiskey was not a malt whiskey?—Nothing should be given on the label that might induce the public to believe it was an entirely malt whiskey. I do not know that there would be any value attached to it by saying: "This is an Irish pot still whiskey, made from malt and grain."

5188. I only want to get your idea on the question. Do you think there is any distinctive difference in the flavour of the Irish and Scotch patent still whiskey or spirit, whichever you call it?—There is a difference, I believe which can be detected by the trained expert.

5189. Even when the materials are similar?—Even when the materials are similar. I should not detect it very likely myself, but I have talked with experts who have assured me they could detect it. There is the same difference as between two patent still whiskies made in Scotland. Of course, there are differences there.

5190. There are differences in the various distilleries, due in some cases to materials?—In some cases to materials, and in other cases, even when the materials are the same, there are different flavours attached to one distillery to what are attached to another distillery.

5191. Is there a very distinct difference in flavour between two patent still whiskies, one of which has been made from 30 per cent. of malt and 70 per cent. of maize, and the other which has been made from one-third malt, one-third rye, and one-third maize?—There is a difference. I do not know that there is a very noticeable difference.

5192. But if there is no difference why do you use rye in some cases in place of maize?—Rye is very largely used in the patent still distilleries on account of the yeast product—not entirely, because we use rye at distilleries where we do not make yeast at all.

5193. That is not for flavour?—Not particularly for flavour.

5194. Of course your rye costs you more than your maize?—Yes. We use rye where we are producing yeast, and that is the principal cause which we use it for there, but in other distilleries we use malted rye, and we consider the rye malt gives a thicker and heavier whiskey, and improves the body of the whiskey.

5195. Then it does affect the flavour?—It does to some extent.

5196. But before yeast was manufactured in the patent still distillery was rye used?—Not to the same extent. In those cases where it was used it was in the form of malt.

5197. It gives you a wort which gives you the largest yeast outcrop?—Yes.

5198. (*Dr. Adeney.*) I unfortunately did not hear your evidence yesterday, but from the answer you have just given, may I ask is the use of the rye malt for the production of pot still whiskey?—No, of patent still whiskey.

5199. I understood you to say you malted rye?—Yes, that was for a patent still.

5200. (*Dr. Cushny.*) How long do you think the patent whiskey improves by age?—Patent still whiskey

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is used up to a very long age, but I could not say really. I do not think it improves much beyond seven or ten years at the outside, but it certainly is used in blend of greater age than that.

5201. It improves up to seven or ten years?—Certainly.

5202. I have got the impression that the patent still whiskey was kept so long, not that it really improved, but because the people are accustomed in Scotland to ask for old whiskey. I wondered whether it was not simply because you wished to comply with the custom?—No, I think not. It really does improve, although probably not to the same extent after five years say.

5203. Has the amount of patent still whiskey that is drunk really increased in amount since 1890?—Certainly, I think so. I should say that, roughly, the proportions will have gone up from half-and-half to two-thirds patent still to one-third pot still.

5204. I think you said there were 9 millions of increase since 1890?—Yes.

5205. But 4½ million gallons of that goes for methylation, does it not?—Yes, that is so; that is 9 millions in the production, not in the consumption. If you refer to my figures you will find that the total increase in the consumption is about 16 millions since 1890. You will find I say that on page 5 of my *précis*.

5206. The total increase in consumption is about 4½ millions?—No, you will find in the paragraph about that I say 15,700,000 gallons for all purposes; and then I see I do say that 4½ million gallons have gone into consumption.

5207. That does not seem a very large amount if the change of blends is so marked?—But you notice in exportation also there is a large increase which is mostly also blended whiskey.

5208. (*Mr. Guillemard.*) With regard to your figures as to the output of patent still whiskey in Scotland on pages 3 and 4 of your *précis*, could you tell us at all how you have arrived at those figures, and on what sort of lines you have collected your information?—I got it from the distilleries themselves.

5209. I take it, then, that the figures you give of the output of patent still whiskies are the distilleries in your own combination, plus the figures for other patent still distilleries which have given you the information?—Yes, with one exception in the case of the Glen Mavis, Bathgate, which makes an entirely patent still malt whiskey. Theses figures do not include the quantity from that. That was the only distillery which refused the information.

5210. Does it practically cover the ground of the output of the total patent still spirit for Scotland?—Practically; there may be an addition of anything from 50,000 to 100,000 gallons, I should say.

5211. Then I take it you have been in communication to get all those figures with all the patent still distillers in Scotland?—Quite so.

5212. I notice your Company, the Distillers Company, Limited, of Edinburgh, have got a distillery in Liverpool?—Yes.

5213. What happens to the grain spirit that you make there? Is any of it blended with any sort of whiskey?—I have no special knowledge of this, but I believe it is. It is largely used in England for blending purposes simply as grain whiskey.

5214. How would the blend be described in that case?—I think in that case it is merely sold over the counter; it is not used for bottling, so that it is really sold as whiskey.

5215. Not as Scotch whiskey?—It may be, but that is after it leaves our hands. In any case, if it is so, I say it should be stopped.

5216. Does your Company supply blenders or merchants with patent still spirit for mixing with brandy at all, or rather I may put it, do you know that any of the spirit supplied by you to merchants is used for blending with brandy?—No, I have not heard that has been done.

5217. You have no reason to think it is?—I do not think so.

5218. I suppose you in some cases have to supply the cheapest form of grain whiskey to one or other of the ordinary consumers? Take Scotland. What would be the lowest it can be supplied at?—I should be glad to write that down, if I may.

5219. Perhaps you could answer this. Do you consider the price of the Scotch patent still spirit that was sold to Davidge, in the Islington case, which I think was 1s. 1½d. per proof gallon, an ordinary price for a really cheap grain spirit?—No; that was a low price, certainly. That was not supplied by us.

5220. No; but that would be an exceptionally low price?—Very low.

5221. (*Dr. Horace T. Brown.*) At that time?—To a customer of the size of Stevens, Buer and Co., I should say even at that time it was a low price.

5222. (*Mr. Guillemard.*) Do you think that distillers and blenders and wine and spirit merchants generally have any confusion in their minds between grain whiskies and pot whiskies? Do you think they know generally when they get a particular whiskey what it is, however it is invoiced to them, or do they go by the invoice?—You mean the merchant and dealer?

5223. The blender, the merchant, and the dealer?—That does not cover the retailer. The wholesale houses certainly know.

5224. Would they go by the invoice?—They would know both by the invoice and by the quality.

5225. And by the place they got it from?—Yes; quite so.

5226. They would have means of testing the quality?—They know the different distilleries that they buy from and the produce of certain stills.

5227. That holds good for the wholesale people; but it would not hold good when it got beyond them at all, would it?—No.

5228. You said in your opinion a substantial improvement took place in the quality of all patent still whiskey as the result of keeping it for two years. Do you go as far as that?—I do not know that I quite said all patent still whiskey; but, as made in Scotland and Ireland at the present time, that is so.

5229. How would you describe the improvement?—A mellowing influence, and generally in the same fashion as pot still whiskey improves.

5230. Would it acquire flavour?—It would, to a certain extent, according to the cask that is supplied. If it was a sherry cask it would acquire more of the sherry type of flavour.

5231. You have guarded yourself now by saying that does not necessarily apply to all patent still spirit. Do you think it would apply to the product of those distilleries where a large part of the business is making yeast, and where, I suppose, they put out rather a low class spirit. Would that result in their putting out a low class spirit?—No; it does not necessarily follow. In fact, the first distillery we made yeast at we get the highest price in the market for its product.

5232. And the spirit so produced would improve by ageing, like other spirit?—Yes, undoubtedly.

5233. I gathered your own combination had increased the number of your own pot stills. Is that so?—We built the one in the Highlands about the year 1893, I think.

5234. I cannot quite make out what your object was in doing that, if you are mainly concerned with the other product?—It was in order to obtain the necessary flavour we require. As well as being distillers, we are exporters; we blend for export only, and we require a certain quantity of high class, high flavoured pot still whiskey to blend with our patent still product. We buy a lot of other Highland at the present time, and we use our own distilleries' production in the same fashion.

5235. For export mainly?—For export.

5236. Entirely?—We sell it to other blenders in this country, and I suppose they use it for consumption in this country.

5237. (*Chairman.*) I have gathered that one of the distinctions between these two classes of whiskey, the pot still and the patent still, is that as a rule there is more maize used in the patent still whiskey than in the pot still?—That is so, my lord.

5238. There is some used in the pot still now?—Yes, there is a small quantity, I believe, used in pot stills.

5239. But as a rule the proportion is considerably more in the patent stills?—Undoubtedly.

5240. Can you draw any comparison in the quantities between barley and maize?—In which still?

5241. Take the two cereals, barley and maize?—I should think in the pot still there would certainly be a difference of flavour.

5242. That is the result, but do you know the chemical composition of the two cereals, the maize and the barley?—No, I do not think there is a great chemical difference between the two.

5243. Do you know enough to say whether maize is a healthy cereal?—I should say so, my lord.

5244. As to the result, I understand that the pot still whiskey is stronger, of greater flavour and more pungent?—Yes, it is stronger, by means of the flavour—not in alcoholic strength.

5245. But it certainly is more pungent?—Yes.

5246. And stronger in flavour and bouquet?—Yes.

5247. Can you tell me this, as it is a very practical test? If a bottle of pot still whiskey is put in one hand of a man and a bottle of patent still is put in the other, whether, on drinking those two whiskies, on which he would become intoxicated first?—I would rather not answer that. I do not know, and really I could not tell from practical experience. I really could not answer that question.

5248. Perhaps you would rather not say he would get intoxicated at all. But surely there would be some difference between the two?—I should think the pot still being the heavier whiskey and having more of these bye-products would affect the constitution more quickly than the patent still would.

5249. You have just mentioned that there has been a great increase in the relative consumption of patent still whiskey?—Yes.

5250. The patent still whiskey is a milder whiskey?—Yes.

5251. And that must be a question of palate as well as the effect?—Yes.

5252. Have you any knowledge as to whether the taste of the public has been changing in favour of the more matured spirit?—I think that is undoubtedly the case from ordinary everyday experience. You will get that probably from the blenders who come after me, who will speak of that more practically than I can, but certainly all my information goes in that direction.

5253. You know that you cannot trace the cause of taste in respect of wine, but you think there has been from your practical knowledge a changing in the taste of the public in respect of these whiskies?—I think so, in the same way as with all other beverages. With regard to beer, for example, a much lighter beer is now used than used to be the case.

5254. I do not understand that anybody is saying that the sale of the patent still whiskey should be stopped, but would that be at all approaching a practical measure now, as things stand nowadays, to put a slur on the patent still as regards sale?—The name of "whiskey" has been built up, I think, very largely owing to the presence of the patent still whiskey in a blend, and I think it would be most unfair to take away the goodwill in the name "whiskey" from the product from which it has been built, and give it to a product which is not appreciated so much by the public. The name "whiskey," after all, is a trade mark for a certain article, and if a business has been built up on that trade mark it would be very hard that it should be taken away from the article on which that goodwill has been built and give it to another product.

5255. The public, as we know, are drinking very large quantities of the blend, and that is the principal consumption?—Quite so.

5256. Would it be feasible to make the public accept another name for the blend? Supposing they went on and said, "We shall call it whiskey"?—They would continue asking for whiskey, and if the publican could not give them any other article than pot still when they enquired for this, then they would be as much prejudiced as they are at the present day.

5257. I am not thinking of the trader at all, but I am thinking of the rights of the public and the consumer. What is your idea as to the knowledge of the ordinary consumers? Take Scotland. Would they know the difference between pot still whiskey and patent still whiskey?—As such they do not, my lord. I have taken the trouble during the past few weeks since this Commission sat, to inquire of probably a dozen or more men of the world if they knew what they got when they asked for "whiskey," and they said they only knew when it pleased the palate, but as to how it was made or from what it was made they had no sort of idea.

5258. Taste is difficult to define, but we are told sometimes it grows by what it feeds upon. I suppose a person often begins to like a particular class of whiskey because he is accustomed to it?—Yes.

5259. If this consumption of blended whiskey has been going on—and that is what they like—I suppose as they like it they would wish to have it continued?—Yes.

5260. (*Dr. Horace T. Brown.*) There is one point on your *précis* omitted yesterday which seems to me rather important. You made certain objections to any fixed standard for whiskey, your reason being the impossibility of proving by the present chemical methods of what a given blend is composed?—Yes.

5261. You have certain evidence to bring forward, certain trials which you have made of this?—Yes. Here are particulars of a certain blend that is largely sold as Scotch whiskey.

5262. Is *this* all one blend?—That is one blend. It is composed of two Islay whiskies, 11 Highland malt whiskies, and five grain whiskies. I sent a bottle of that whiskey (you see the proportions given there at the bottom of that document) to seven different analysts, eminent men. The letter which accompanied the samples was to the following effect: "Dear Sir,—We are sending you under separate cover one quart bottle of whiskey, and shall be obliged if you will kindly analyse this and let us have your results at your early convenience. After having made your analysis, would you kindly let us know what opinion you form of the whiskey?" I have purposely left the names of the analysts out of this copy, but I can give you the originals. If you refer to the bottom of the first page you will find an interesting tabular statement. Taking the lowest result from any analyst as 100, the analyses of the eight chemists vary for volatile acidity from 100 to 205; for ethers from 100 to 459; for aldehydes from 100 to 1,022; for furfurals from 100 to 740.

5263. That must be wrong, surely?—That is the percentage if you look at the table. The lowest one there is one part, and it goes up to 7·40.

5264. This should be hundreds?—Yes, I am taking it in hundreds at the bottom—as 100 is to 740. That is giving furfural as one part in one case and 7·40 in another.

5265. Then these are ratios?—Yes.

5266. (*Dr. Adeney.*) Are you quite sure that all these results from different analysts are returned on a comparable basis?—I will hand the original in, which gives all the information we got.

5267. If you will hand these in we will look them over?—I will do so.

5268. (*Chairman.*) Has there been any variation in the quality or strength of the spirit as shown by above and below proof? As years have gone on, as an average result, has the spirit increased or decreased in strength?—No, I do not think appreciably.

5269. The public taste has not affected that?—I do not think so, my lord. There has probably been an inclination in the case of very cheap whiskey being sold at a low strength to reduce the price and enable probably a sale to be made in that form, but with that exception I do not think the taste has gone in favour of a less strength.

5270. You mentioned whiskey at a low price. Have you any knowledge that in the great competition among the public-houses there has been a demand for whiskey at a low price?—Undoubtedly, I think that is so. That is more or less the case in all working-class districts where there are large factories. I believe in the North of England, for example the Newcastle district, the trade there is very largely in low-priced whiskies.

5271. I do not mind saying that I have received a communication that in consequence of tied houses very often the brewer takes possession of the whole house, and he gives the orders for the spirit as well

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as looks after the beer, and that in consequence orders are given for very low priced whiskey. Do you know anything of that?—I have heard it stated, but I could not speak from actual experience.

5272. You have heard it stated that that was so?—Yes.

5273. When the whiskey is made under such conditions as is the case with very low priced whiskey, how is the low price arrived at? Is it because damaged material is used, or how is it arrived at?—No, I think the larger proportion of the cheaper product of patent still whiskey is not necessarily a bad article, but simply cheap.

5274. That would include the maize?—Yes.

5275. In the cheap product you get the very cheap whiskey. Is that injurious for consumption or not?—I do not think so, my lord. I think it has never certainly been proved that it is injurious to public health. It is probably unfortunate that so much new whiskey should go into consumption, but I do not think other than being less palatable that it is injurious to health.

5276. Would this cheap whiskey so produced be raw whiskey—new whiskey—or would it have been kept for any time?—It may have been kept for a few months, or probably a year. I have given in my table here the percentages we sent out under so many years, and undoubtedly there is a considerable trade in that new whiskey.

5277. But, I suppose, in order to keep the price down, which is the object of this commodity, you cannot afford to keep it a very long time?—No.

5278. The Commission are much obliged to you for the evidence you have given.

The witness withdrew.

Mr. J. C. Calder.

Mr. James Charles Calder, called.

5279. (*Mr. Guillemard.*) I believe you are a distiller and wine merchant?—Yes.

5280. You are a partner in the firm of Alexander and Macdonald, wholesale wine merchants, of Leith?—Yes.

5281. You are also a director of James Calder and Co., Limited, of Bo'ness?—Yes.

5282. What sort of distillery is that?—Bo'ness is a grain distillery—at least, it is a distillery with only a patent still in it. We make both from grain and malt, and also pure malt in a patent still.

5283. The distillery at Bo'ness, do you say, is only a grain distillery?—No; it is only a patent still distillery, but we make both from malt and grain, and also from pure malt.

5284. You are also a partner in the firm of James Calder and Co., of Stronachie Distillery, Pathstruie, Perth?—Yes.

5285. Is that a pot still distillery?—Pot still only.

5286. So that you can speak to both processes?—Yes.

5287. Could you give either a definition, or, if you prefer it, a description of what you consider whiskey is?—I consider whiskey is a spirit made from cereals saccharified by malt and distilled.

5288. Cereals grown anywhere?—Grown anywhere, I should say.

5289. Scotch whiskey is that same product distilled in Scotland?—Yes.

5290. And Irish whiskey the same thing if made in Ireland?—Yes.

5291. Materials coming from anywhere?—Yes.

5292. Could you give the Commission some information as to the average mash for grain whiskey that is used in Scotland, so far as you know?—I think there are practically only two mashes now used in Scotland, one with about 25 per cent. of malt and 75 per cent. of maize, and the other about one third of rye, one third of maize and one third of malt.

5293. Do you ever use molasses?—No, we never use molasses.

5294. Do you use a good deal of imported barley?—We use a good deal of imported barley, but we use Scotch barley also. It depends a good deal on the season. Some years we use a good deal of Scotch barley, but other years not quite so much.

5295. Is that anything to do with the price?—It has to do a little with the price, but chiefly with the quality of the barley. We want a sun-dried barley. A Scotch barley has not so great a converting power that foreign barley has. This year it is dearer, and we are paying more for foreign barley than we are paying for Scotch.

5296. How does the price of the foreign barley compare with the best English barley: say the barley that comes from Suffolk, or Norfolk?—This year we are paying from 29s. to 30s. for foreign barley, and you can buy Norfolk barley delivered to us at 34s. to 35s.

5297. Norfolk barley is high this year?—Yes, very high.

5298. Higher than for some years past?—I think it is higher than it has ever been in my experience.

5299. Then you come in your *précis* to a description in some detail of the two processes of pot still and patent still. We have heard a good deal of evidence on that, and I do not think the Commission need trouble you in detail upon that. You might tell the Commission what is the main point you wish to establish. Your main point seems to be directed to showing that in your opinion there is no essential difference in system between the two stills?—No.

5300. Can you give your views on that without too much detail?—In the patent still the distillation is more regular and the spirit is liquefied, if I might use that word, at more regular heat; that is to say, it is gradually cooled as it goes up in the rectifying column, and, of course, the impurities—we call them impurities—come off more regularly, so that the impurities you get in a patent still are of more regular a character than those you get in a pot still. In the pot still you practically boil it, and the heat varies to a great extent. There is no regular system of cooling; the impurities, to a certain extent, come over altogether, and there is not the same power on the part of the distiller to keep his bye-products exactly the same. There are also, of course, very many more impurities that come over with the pot still than with the patent still. That is what the patent still is for.

5301. As between the two processes the pot still is a more costly process to work than the patent still, I take it?—Much more so.

5302. Have you any particulars you would like to give about that?—With regard to the coal, we use nearly twice as much coal in a pot still as in a patent still. We use about 10 cwt. of cheap coal in the patent still and 17 to 18 cwt. of dear coal in the pot still per 100 gallons. I think that is, roughly speaking, about the figure. Then the wages are about twice as much per gallon, and I think the greatest difference is in the depreciation and interest on plant. I was calculating out from our own distilleries that the depreciation and interest in one case costs about 1½d. a gallon, and in the other it costs 6d. to 9d. a gallon.

5303. That is a new point to the Commission. Could you elaborate a little what the reason for that difference in depreciation is?—I was taking 5 per cent. interest and 2½ per cent. depreciation on the total cost, and it worked out to about 1½d. in the one case, and from about 6d. to 9d., according to the quantity made. The reason for that is that the quantity you make in the pot still in proportion to your capital is very small.

5304. You are allowing the same rate for depreciation in both cases?—For both interest and depreciation.

5305. Would you explain your last answer a little?—Very few pot still distilleries make over 80,000 gallons a year, and grain distilleries would never make

less than one million gallons a year, and the proportionate cost of the plant is quite different. I put it very low. I should say in a pot still distillery you have from £20,000 to £25,000 of capital, and in a grain distillery you have about £100,000 of capital. In a grain distillery you make a million to a million and a half gallons, and in a pot still distillery you make from 40,000 to 80,000 gallons, so you can see for yourselves the proportion of interest and depreciation is very much larger in the one case than in the other.

5306. (*Dr. Adeney.*) Are you referring to the Irish pot stills?—No, I really cannot speak about Irish pot stills at all.

5307. (*Mr. Guillemard.*) Would you put it like this, that the relation of cost of the machinery to the output of the product is very much greater in the pot still?—That is exactly it. That puts my point in a nutshell.

5308. You do not attribute much of the difference in the cost as between the two whiskies to materials?—Not very much. I put it that according to the variation in the mash, and taking the present price that the grain whiskey costs from 1s. 2d. to 1s. 4½d. per gallon for mash, and the malt 1s. 7d., or, I might say, from 1s. 7d. to 1s. 8d. to be on the safe side.

5309. What would the corresponding selling price be?—You can buy Lowland malt whiskies from 2s. to 3s. per proof gallon, and Highland malt from 2s. 8d. to 4s. 4d., or 4s. 6d. in bulk, 11 over proof.

5310. New?—New. The grain whiskey you can buy from 1s. 3d to 1s. 6d. proof.

5311. Then with regard to storage there are reasons connected with the storage why the selling price should vary, are there not?—Yes, the malt whiskey price, which is much higher when it is invoiced, includes free storage practically as long as you like in Scotland. I have kept it twenty years and paid no rent. But in the case of grain whiskey, after the first year in the buyer's wood you have to pay from ¾d. to 1d. a gallon per year.

5312. A year is given free?—They give you a year free in your own wood, and after that year it runs from about ¾d. a gallon, according to the cask for storage.

5313. Would it be a fair inference from that that people consider that after a year it is all right for selling?—I do not think so. At least we get very large sums for warehouse rent, so the people evidently think it appreciates.

5314. Why do you give them a year free?—I think it is a trade custom.

5315. You would contend, would you not, that the products of the pot still and the patent still are both equally whiskey?—Yes.

5316. According to your experience when did any question first arise questioning the propriety of calling the patent still product by the name of whiskey?—I think the first time I heard about it was in the 1891 Committee.

5317. Have you any evidence you would like to put before the Commission as to what you know of the history of the question?—I have some old correspondence here, dated 1845, from Bo'ness Distillery, in which they deal with the "aqua," and also at that time they only had pot still there. Here is a letter from the distillery showing they used grain, that is to say, that it was not a pure malt at this time. This letter says: "I have sent you a sample of my new grain aqua, very fine quality, from ripe grain, well kept." He quotes that at 6d. to 8d. a gallon less than his malt. So that evidently they used grain even then.

5318. Have you anything more on that subject?—Practically not. I have half a dozen letters, and they all say "grain aqua" and "malt aqua" and "grain spirit." Then I have a book here of 1640 in which Sir William Gordon, who was called the Wizard of the North, refers to it as "*aqua vitæ*," and he says, "This liquor is distilled from bere mixed with aromatic herbs. It is made almost everywhere, and in such abundance that there is plenty for all. They swallow it in great draughts to the astonishment of the stranger, for it is excessively strong." That is referring to the County of Moray.

5319. What is your opinion as to the effect of ageing on whiskey?—I know from my palate and from tasting samples continually that there is an improvement in all whiskey from ageing. It varies according to the different whiskies and to the cask it is stored in, but anybody looking at a sample of new grain whiskey and a sample of the same three years old would see that there is some change which, from a chemical point of view, I do not pretend to know, but that there is a change is evident to anybody's palate, and that continues, in my opinion, in grain spirit up to seven or ten years old. We use the ten year old regularly in our blend, and in malt whiskey it seems never to stop as far as I have experienced it in the fine Highland malts.

5320. It goes on improving?—Yes. I have had a Highland malt made in 1876 which was very fine. That was nearly 30 years old.

5321. (*Dr. Adeney.*) Is that difference in flavour at all due to the formation of new substances or the mellowing away of harsh tasting substances in the new spirit?—It always seemed to me that there must be a change in the substances—some modification in the substances.

5322. You do not detect any new flavour as the ageing goes on?—No; it is more a change of flavour I should say, than a new flavour.

5323. (*Mr. Guillemard.*) Do you select any particular casks for storing your grain whiskey in?—We generally send on the casks as we get them empty and get them filled. We fill a certain proportion always in sherry wood, a small proportion, from 10 to 20 per cent.; it varies a little.

5324. You do not select the cask that has had a pure pot still whiskey in?—Never.

5325. You do not think anything would be gained by doing that?—No I went into that some years ago. We tried it, but I could not see that the result was worth the trouble of selecting. The extra flavour is so slight as compared to buying the malt itself and using that as the flavouring that it was not worth considering.

5326. Do you think there is anything in the statement that a grain whiskey takes the flavour of the oak cask it is put into?—No, I am sure it does not, or if it does nobody would buy it. Sometimes it does, I am sorrw to say, and then we have to reject it and sell it to a rectifier for rectifying spirit.

5327. It is re-distilled?—Yes. Oak flavour is particularly objectionable, and comes through anything.

5328. I believe you do a good deal of blending?—Yes, we have a blending business in Leith.

5329. With regard to the ages of spirits you use for blending, take the strong malt whiskies that you select for blending, does their age vary very much?—Yes, it varies very much. I do not think we use any patent still whiskey under two years old, and we use it up to 25 years old regularly. The lighter the malt whiskey the quicker it matures. The heavier the malt whiskey the longer we have to give it in cask to get the mellow flavour.

5330. There would not be any general period you could lay down?—It varies according to the blend, and the price you get, and the quality of the whiskey. I should think you might take it as a fairly safe average from 5 to 10 years old malt. I should think 75 per cent. of it in Scotland is used from 5 to 10 years old.

5331. Then with regard to the public taste. In what direction do you think the public taste is making in Scotland? Is it towards pot still whiskey, or patent still whiskey, or blends?—Entirely towards blends; for many years not only in Scotland but practically all over the world the tendency is all towards blends.

5332. And towards blends, I suppose, with particular names by which they can be recognised?—Towards certain particular types—practically to get the flavour of the fine malts without the heaviness. I will put it in that way.

5333. The ordinary person gets to know the whiskey he likes by a particular name, and asks for it by that name?—Very often.

5334. Do you think he knows it is a blend to begin with?—No, I do not know that he does, and I do not think he cares really. We sell a very high class blend. I was a witness in the Clerkenwell case, and I was asked if I had any objection to putting on a

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label, "A blend of pot and patent still." I said not the slightest. I thought I would experiment on the subject, and I put on a label saying it was a blend of pot still and patent still. That is two years ago. We sell a fairly large quantity of that whiskey considering the price, and we never had a single inquiry from any customer about it. *This* is the bottle on which I put the label.

5335. They went on drinking it just the same?—Yes. I think if there is any labelling of that description it should be made to apply to everybody certainly. Personally I do not think it would do the slightest amount of good.

5336. (*Dr. Horace T. Brown.*) It did not lose you any trade?—No. We never even had an inquiry or a letter about it.

5337. (*Mr. Guillemard.*) Will you read the label to which you refer?—"This whiskey is exactly the same as has been sold by us since we introduced this brand, and is a blend of whiskey made from malt in a pot still averaging 20 years old, and a small proportion of whiskey made from grain and malt in a patent still averaging over 10 years old. It has been entirely manufactured in Scotch distilleries, and is the finest type and quality of Scotch whiskey procurable."

5338. (*Chairman.*) That is an advertisement of a very high order?—I agree with you, my lord.

5339. (*Mr. Guillemard.*) With regard to blending your view really would come to this, that the addition of the grain whiskey is actually an improvement?—Undoubtedly.

5340. You go so far as to say that in your view, even if it were dearer than the malt, it would pay you to put it in?—I would buy it if it was dearer even

5341. Can you give the Commission any information as to the average age at which the whiskey made by you is cleared?—I made up a statement of the average age at which the clearances had taken place from our distillery in 1907. We cleared a little over one million gallons, that is to say, we sent that out, and the average age was three years. Of course, that whiskey is sent out under bond, and may have been kept longer, but it could not have been used younger than an average of three years. There were 25 per cent. of clearances under one year old.

5342. I suppose when you are asked for it you supply a cheap whiskey for sale in public-houses?—Yes, we have to. That is our business.

5343. There is a definite demand for a cheap whiskey?—Yes. I read some of the Irish evidence with regard to the prices charged, but in Scotland in the big towns there is a whiskey sold in public-houses at 5d. a gill and at 6d. a gill. At 5d. a gill that is equal to 13s. 4d. a gallon, and at 6d. a gill it is equal to 16s. a gallon. These people need to buy a cheap article to make a profit with their very heavy expenses in order to be able to sell at these prices.

5344. Would you have any objection to stating what price you would supply a really cheap whiskey at?—We sell a duty paid whiskey at as low as 10s. 9d. per gallon 23 under proof.

5345. What would be the duty?—The duty is equal to about 8s. 6d.

5346. That leaves 2s. 3d. for the whiskey and the carriage, and the other expenses?—Yes.

5347. Would that sort of whiskey be pure grain or a blend?—It depends upon the customer; sometimes it is pure grain, and sometimes there is a small percentage of malt.

5348. Up to how much?—Up to 10 per cent.

5349. Your *précis* suggests 10 to 20 per cent.?—For the 10s. 9d. whiskey I do not think we ever put much more than 10 per cent., but the price sometimes goes up to 11s. 3d., and then we put in more if they want it.

5350. And that whiskey you would sell definitely as a Scotch whiskey?—Yes.

5351. And so far as you know, is it a wholesome drink? Do you have any complaints of it on that score?—We never have any complaints, and it is regularly drunk, and has been for years.

5352. You have no complaints on the ground of health, or people not liking it?—No, we have never had any complaints.

5353. Do you supply the same whiskey to your Scotch customers?—Yes.

5354. Then if people want a dearer whiskey, how do you meet that demand? What more do they get for their money?—They get an older whiskey, and they get the flavour they like. Sometimes they like pure grain, and sometimes they like pure malt, but as a rule they get a blend.

5355. If they want pure malt they must pay for it?—No, we sell pure malt just as cheap as we sell a blend, and a pure grain. I do not mean as cheap as this whiskey I have referred to; but when you get up to 4s. a gallon for whiskey in bond we sell a pure malt or a pure grain, or a blend. Above that price we give them whatever they want. I must say they very seldom want a pure malt. You can buy a pure malt at 2s. new.

5356. (*Chairman.*) Do you say you sell pure malt and pure grain at the same price? Other things, as to age, and so on, being equal, I thought the pure malt was worth a higher price than pure grain?—So it is. Of course, the pure malt would not be so old as the pure grain. It is a question of age and quality. Some pure malts are worth twice as much as the others at the same age.

5357. (*Mr. Guillemard.*) Then apart from the blend which you say is the thing that is mainly drunk in Scotland, as between pure grain whiskey and pure malt whiskey, which would you say there is the greater consumption of now?—Pure grain I should say in Scotland is enormously larger.

5358. Does that kind go to places like the ordinary public-houses, or the bars?—Yes. I think practically the only pure malt you buy in Scotland is where you want what they call a special whiskey. They generally have a pure malt which they supply if asked for special whiskey, that is to say, when they get 5d. a glass and upwards.

5359. Then perhaps you could summarise what you consider the advantages that result from the use of grains in blends?—I think it makes the whiskey more palatable and more digestible and lighter. By using grain the cost is reduced and you are able to use a much finer and much older malt than if you had to supply the same article at the pure malt price, and you supply an article which the public want in the one case.

5360. You mean if you did not put the grain in and you had to supply an article at a given price you would have to use younger malt spirits?—Younger malt spirits and not such fine quality.

5361. I notice one thing in your *précis* which is worth calling attention to, because it so curiously conflicts with the experience of Mr. Pheysey. His experience was that when he put a blend in his price list he could not get anybody to buy it, and I think you have got almost the exact opposite of that in your *précis*, because you say since Mr. Fordham's judgment you have sent out 200 to 250 samples of pure malt whiskey. How has that resulted?—We have only got two orders and we got no repeats. Our customers went back again to their old blends.

5362. Comparing those two results, I think they lead to this conclusion, that people generally have got used to a particular sort of whiskey and like a particular sort of whiskey, and they go on asking for it and drinking it?—I think so. I think they find it suits their health better—I do not mean health exactly, but they find it suits them better.

5363. In other words, if you wish to make people alter their taste in whiskey you would have to take a great deal of trouble and push the rival article a good deal before you could have any effect?—I think you would have to revise the whole Scotch whiskey trade and make a different system.

5364. What would be your views about laying down a standard for whiskies?—A chemical standard, do you mean?

5365. A chemical standard. I mean a standard which they would have to conform to to be entitled to the name of "whiskey"?—I would be very much opposed to it. I think it would lead to far more harm than any good that it could do. If you fix a standard of the number of impurities it is so easy to increase your impurities, both in your pot still and in your

patent still. You could reduce the whole standard to a farce in a very short time, and it would simply be giving the benefit of that to any unscrupulous trader who wanted to take advantage of it; that is to say, he could send out a whiskey which he called a pure malt whiskey, or if there is any such restriction on whiskey, by using whiskey with a large percentage of impurities and a certain extent of grain nobody could detect which was which.

5366. Then with regard to the age limit of whiskey. What would be your views if it was suggested that all whiskey should be compulsorily stored for a certain period?—Personally, I would be quite in favour of it if it was a two years' limit.

5367. For all whiskey alike?—All whiskey alike.

5368. Several witnesses have taken the line before this Commission that a fixed limit for all whiskey alike would not operate very equally as between whiskey and whiskey. That is not your view?—My view is that of course there would be a certain amount of unfairness, but, at the same time, the benefit to be gained would be sufficiently great to counteract that unfairness.

5369. What do you think would be the benefit? Do you think the public generally have the view that they would get a better whiskey if it was kept for that period?—I think there is no doubt they would get a better spirit, speaking from a taster's point of view, and it would do away with any colouring of unmatured whiskey which unscrupulous people might do at present, and it might also put the whiskey trade on a very much better footing as far as public safety is concerned, and that would override any objection.

5370. (*Dr. Adeney.*) Who would suffer?—Nobody would suffer.

5371. I thought you said the advantages would counterbalance the objections?—The point was that, of course, the grain whiskey does not take so long to mature as malt, and therefore they might suffer to a certain extent.

5372. (*Mr. Guillemard.*) You said a little time back that patent still whiskey, in your opinion, went on improving, say, up to 10 years or so?—Yes.

5373. While the pot still product went on improving for much longer than that?—Certain of them—some of the bigger whiskies.

5374. What, in your opinion, happens to the patent still whiskey after you have kept it ten years? Does it stay at the degree of excellence to which it has attained, or does it go backwards?—I would not like to generalise on that subject. I have seen samples which have improved up to ten or fifteen years. On the other hand I have seen samples which are apt to get woody, and have the cask flavour.

5375. They have gone back?—They have had the cask flavour. They have not gone back, but they have taken on something which is not good.

5376. Then with regard to labelling. What would your view be if it was suggested that all the different sorts of whiskey must be labelled, that is to say, you must have labels for malt whiskey, pot still whiskey, and patent still whiskey, and grain whiskey. Would you object to that systematic labelling?—I think personally it is entirely unnecessary, but I would not object to it if it was thought necessary to do so as long as every different make had to be labelled, that is to say, if it was a pot still that they were not entitled to sell it as Scotch whiskey without calling it "Pot still whiskey" or "Pot still malt whiskey." The same with grain and malt, and the patent still whiskey—"a blend of malt and a pot still and grain whiskey from a patent still." I think that would be quite fair if it is thought necessary.

5377. Do you think it would be practicable to give the proportions of the blend on the label?—No, I think it would be very unfair to begin with, and I think, secondly, it would be entirely useless.

5378. Why would that be? Is your view that analysis could not detect it?—That is what I mean. I do not see how it could be detected. It would be simply leading unscrupulous people to make false statements which could not be dealt with very well.

5379. You mean that it might create a false security possibly?—That is so. I should like to put in a sketch of an American still. (*Producing sketch.*)

5380. (*Dr. Horace T. Brown.*) Is this a continuous still?—That is what they call a continuous three-chambered still. That is what they use in all American distilleries where they distil the straight whiskey.

5381. They make their straight Bourbon whiskey from maize?—Yes.

5382. Is that still in use in this country?—No. I saw it in use in America, and I got a print of it.

5383. (*Chairman.*) What was it that you wished to establish by this?—With regard to the question of whiskey that that still practically makes very much the same class of whiskey as grain whiskey, and in America it is sold as straight whiskey. I saw a sample running off the still, and if we had not known it I should have thought I was looking at a Scotch grain whiskey. It is in connection with the use of the word "whiskey" for grain in a continuous still that I refer to that.

5384. (*Dr. Cushny.*) Can you explain why the malt distilleries generally work only for six or nine months?—I suppose one reason is that they have not orders which will keep them going for more than six or nine months, and secondly, with regard to the malting of barley, you cannot malt very well in the hot weather, and the water is not so good in summer, and you get a very bad price for the draff. All the cattle are out to grass, and there is no demand for it, and generally it is more expensive to work in the hot weather than in the cold, so it is not so economical.

5385. With regard to the flavour that whiskey gets in casks. How far is it from the cask that the flavour comes do you suppose?—I should say, except with fresh sherry casks and Malaga wine casks, that the flavour does not come from the cask at all.

5386. Would whiskey mature just as well in bottle then?—No. I think that is rather a difficult subject on which not very much is known. The oak cask, to a certain extent, is a porous wood, and I suppose there is a certain amount in the wood itself. There are, however, strong acids in oak casks which may have some influence on the composition of the spirit, but that is a matter which is very little known.

5387. I wanted to get that out from you, because from the paragraph in your *précis* it seemed that you rather neglected the fact of the cask?—It certainly does not take the flavour of the cask, but that is not to say that the wood and the air does not have some effect, but what that effect is I would not like to offer an opinion upon.

5388. Can you distinguish the Irish patent still whiskey from the Scotch patent still whiskey?—I think so.

5389. Several witnesses have told us they are absolutely identical?—The difference is not a very distinct difference, but I bought a business some years ago which had been using Irish grain whiskey, and I got samples of it and tried it in my blends, and I looked at it and I certainly found a difference, and I could not use it.

5390. Was that owing to the water?—It is very difficult to say—I should think it was the water and the still, and particularly the way in which it is distilled. Each distillery has a separate man and a separate system, and all these matters affect it to a certain extent.

5391. (*Dr. Horace T. Brown.*) Though the materials are identical?—Though the materials are identical.

5392. (*Dr. Cushny.*) Was there as much difference as, for example, between Scotch malt and Irish pot still whiskey?—No, not so much.

5393. Another point that has been made by several witnesses is that grain whiskey is used to conceal the use of new malt in a blend. How far is that correct?—I do not think that applies to Scotland at all.

5394. That is purely an Irish question?—That is purely an Irish question. I have never tried it.

5395. How are you going to prevent essences being used if you allow blends at all?—Essences cannot be used in bond because it is against the Excise regulations, which I need not tell you are very strictly carried out. Personally speaking, I never heard of any essences before I came to this Commission

5396. We have had advertisements of all kinds of whiskey essences produced here?—They must keep them in England, because I have never seen one in

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Scotland, and I have been in the business for 20 years.

5397. (*Dr. Horace T. Brown.*) Are you a maker of yeast?—Yes.

5398. I suppose you regard that as an important part of the patent still distiller's business?—Yes, on an average it is.

5399. It materially diminishes the cost of the spirit?—Yes, in an ordinary year it enables us to reduce our cost.

5400. You have spoken about the working of the patent still as compared with the pot still. Can the bye-products of a patent still spirit be increased in the direction of giving the spirit a flavour more nearly resembling that of a pot still whiskey?—It could be done.

5401. Have you ever done it, or have you ever seen it done?—We have reduced our heats a little and our strengths, and, of course, you immediately get a larger percentage of impurities, but to do it properly you would have to fix the plates in your still and take off a certain proportion of each of the different impurities.

5402. You cannot do it by merely removing the position of your spirit plate?—No. You could do it, of course, but it does not give you the same result as the pot still; that is to say, you would get all your impurities extra of a certain description.

5403. But do you think you could produce in a patent still a whiskey resembling the pot still whiskey, even to the peaty flavour?—I am quite sure you could if you wanted to.

5404. You are quite sure you could?—By catching the impurities as they liquify at different temperatures.

5405. You state that stills cannot be heated with peat?—Pot stills cannot be heated with peat anyhow. I do not think they can.

5406. I think I could give you a reference to an old report upon that subject?—I have been told since, in old distilleries they could be, but I do not think you could do it in a modern still, because it is so much larger.

(*Chairman.*) The Commission are much obliged to you for the evidence you have given.

The witness withdrew.

Dr. R. R. Tatlock.

Dr. Robert Rattray Tatlock, called.

5407. (*Dr. Horace T. Brown.*) You are, I believe, an analytical and consulting chemist?—I am.

5408. You have practised in that capacity in Glasgow for a considerable time?—Yes, for the last 40 years.

5409. You are President of the Society of Public Analysts?—I am.

5410. You are a member of the Council of the Institute of Chemistry of Great Britain and Ireland, and a Fellow of the Royal Society of Edinburgh, and a Fellow of the Chemical Society of London?—Yes.

5411. You also, I believe, occupy the position of public analyst for the cities of Glasgow and Perth, the County of Dumbarton, and fourteen burghs in Scotland?—Yes.

5412. You are also official analyst under the Fertilisers and Feeding Stuffs Act for the County of Lanark and Dumbarton?—Yes.

5413. I believe you have had, in the course of your practice, a great deal to do with distillery work?—I have.

5414. Have you been consulted much by the distillers?—Yes.

5415. By the distillers of both malt and grain whiskey?—Yes.

5416. You have been consulted, I suppose, with regard to their products and their processes?—Yes.

5417. In the course of your inquiries have you visited many distilleries in Scotland?—Yes, a good many.

5418. Of both kinds?—Of both kinds.

5419. You have occasionally advised the owners of those distilleries as regards improvements or any difficulties that may have occurred?—Yes.

5420. I believe you have paid considerable attention to the composition and character of whiskies of all kinds?—I have.

5421. Both malt whiskey and patent still whiskey?—Yes.

5422. And you have in the course of your work analysed a large number of Scotch whiskies of both kinds?—I have.

5423. You hand in a tabulated statement giving the composition of a large number of whiskies?—Yes. (*See Appendix G, Table I.*)

5424. We have, as a matter of fact, only just had these put into our hands, so we have not really had time to examine them. You would like possibly to make some remarks on the first tables?—No, nothing very particularly. There are no very great variations between the individual specimens of the Highland whiskies. There are a few of a marked character, but most of them are very similar as regards composition ascertained by analysis.

5425. We have here 31 samples of Highland malt pot still whiskey, nine of Lowland pot still whiskey, and four of Islays pot still whiskey, and two of Campbeltowns pot still whiskey?—Yes.

5426. And two of Irish pot still whiskey?—Yes.

5427. Four of American pot still?—Yes.

5428. And eight of Scotch patent still grain?—Yes.

5429. Have you given any general summary of those in any of your tables?—Yes, Table 2 is a general summary. (*See Appendix G, Table II.*)

5430. Have you any remark to make on those?—Not very particularly. The ethers vary very considerably, but the averages are not widely different.

5431. You give the maxima and the minima?—The maxima, the minima, and the true average. The Americans are rather rich in ethers, but so far as these four samples are concerned they do not seem to be richer in higher alcohols than the Scotch pot still whiskey.

5432. Then for the ethers and volatile acids, aldehydes and furfurals you used, I suppose, the usual methods?—Yes.

5433. May I ask how you determined the higher alcohols?—These are determined by the Allen-Marquardt method, and also by the coloration method as employed by Dr. Teed.

5434. Using the isobutyl standard?—Using the isobutyl standard.

5435. Those are not given here, are they?—They are given on the second page of table 2.

5636. The colorimetric method?—Yes.

5437. Do you find any constant relation between these higher alcohols as determined by the two methods?—No, I find no constant relation.

5438. You cannot use any factor for reducing one from the other?—No, there is no factor possible.

5439. This method of determining the higher alcohols is the one which Dr. Schidrowitz adopted?—Yes, the Allen-Marquardt.

5440. Are your results directly comparable with his?—Yes, they are directly comparable, I believe.

5441. Are they comparable with the results he gave us from his second paper which he read before the Society of Chemical Industry?—Yes, I understand so.

5442. I should like to compare these figures of yours with those given by Dr. Schidrowitz from a large number of samples, about one hundred, I think. Take the Highland malts first. The ethers run with you from 154 down to 45?—Yes.

5443. His figures give from 33 to 185. The higher alcohols of yours run in the Highland malts from 73½ to 190?—Yes.

5444. And the minimum is 73½?—Yes.

5445. Dr. Schidrowitz gives a minimum of 112, and a maximum of 235. Then volatile acids and aldehydes we need not take. Then Lowland malts, how do they run—ethers and higher alcohols?—For ethers the maximum is 85·8, and the minimum is 34·52. The true average is 66·19. The maximum of higher alcohols in the Lowlands was 240·68, and the minimum 103·49.

5446. Dr. Schidrowitz gave for the higher alcohols in the Lowland malts 228 as the maximum, and 82 as the minimum. It comes somewhere near your figures. Then in the Campbeltowns we need only take the ethers and the higher alcohols?—In the Campbeltowns the maximum for ethers is 85·62, and the minimum 61·42.

5447. Dr. Schidrowitz's figures are 140 and 53. Now take the higher alcohols?—The higher alcohols in the Campbeltowns is 206·70.

5448. And the lowest?—139·58.

5449. There is a fair correspondence there. Now take the Islays?—Higher alcohols 161·70.

5450. That is against 200. Then what is the minimum?—130·20.

5451. Dr. Schidrowitz's figure is 155. Now the ethers?—The figure for the ethers in the Islays, taking the maximum is 78·05.

5452. That is against 86?—Then the minimum is 48·31.

5453. That is against 40. Now take the grains?—The ethers 50·90.

5454. That is the maximum?—Yes. Then the minimum is 22·04.

5455. Dr. Schidrowitz's figures run from 55 down to 20 for the ethers. Now take the higher alcohols?—Grains, higher alcohols 68·47.

5456. Is that the highest?—Of the grains, yes.

5457. That goes down to what?—32·47.

5458. Dr. Schidrowitz's figures go from 80 down to 33. Is there much over-lapping in your figures when you come to look at them, taking the Highland malts right down to the grains?—Yes, there is an over-lapping in the individual constituents.

5459. What is the amount of that over-lapping as regards the higher alcohols?—In the Highlands the higher alcohols minimum is 73·51, and in the grains the maximum is 68·47.

5460. There is not quite an over-lapping there?—No, not quite. Those two ingredients come very close together.

5461. (*Dr. Adeney.*) Do you get any over-lapping trying the colorimetric process for the same constituents?—The higher alcohols alone do you mean?

5462.—Yes?—The minimum for the Highlands is 140, and the maximum for the grains is 268.

5463. So you do get an over-lapping there?—You get a great over-lapping there.

5464. (*Dr. Horace T. Brown.*) Do you hold the view that the product of the patent still has a right to be called whiskey?—Yes, I have always held that view.

5465. A right equal to that of the pot still?—A right equal to that of the pot still. They are both whiskey.

5466. May I ask how you came to that conclusion?—Considering the materials from which they were made, and from the use of both during long periods of time, and considering that there is no ingredient in the one that is not in the other. This is a question of proportion and trade custom, and the public having been served with grain whiskey more or less as whiskey for a period almost beyond my memory.

5467. You have always known the patent still spirit as whiskey, have you?—Oh, yes.

5468. It has always been known as whiskey during your time?—I have always known it as whiskey. I have drank it as whiskey, I believe, before the Food and Drugs Act was in existence, and before Dr. Teed was born.

5469. (*Chairman.*) I do not see what Dr. Teed's birth has to do with it?—It is a question of time. He was the first chemist who proposed to make a chemical standard for whiskey, and I say it has been in use as whiskey before he was born, and before the Food and Drugs Act came into existence, so that apart from that the Food and Drugs Act would require to be retrospective.

5470. (*Dr. Horace T. Brown.*) I believe in March, 1898, you were consulted by the local authority of the City of Glasgow with regard to the relative merits of pot still and patent still whiskey?—I was.

5471. And especially as to whether the patent still whiskey contained anything injurious or objectionable in character?—Yes.

5472. And whether it ought to be subject to any prosecution under the Food and Drugs Act if such was the case?—Yes.

5473. Will you kindly tell us what the upshot of that inquiry was?—I wrote to the chief sanitary inspector in detail my views on the subject, and I have an official copy of that report here.

5474. Is it a long report?—It is rather long—four and a-half pages.

5475. Does it contain much with regard to the question of public health?—Yes, but not from the medical point of view.

5476. Would you give us the general result?—The general result was that the bad qualities that are ascribed to what was called grain whiskey or raw grain whiskey did not exist any more than they did in pot still whiskey, and that all the evil effects which we have observed from excessive drinking did not arise from the circumstance that it was patent still whiskey that was drunk and not pot still whiskey.

5477. Was there anything, so far as you know, which threw doubt in the first instance on the wholesome nature of patent still whiskey?—Nothing at all.

5478. What was the cause of the inquiry?—I suppose the chief sanitary inspector for the Corporation of Glasgow was requested by his Health Committee to turn his attention to the subject of whiskey, and ascertain whether anything could be done to prevent the bad effects which are alleged to arise from the use of certain whiskey.

5479. (*Chairman.*) What was the date of your report?—12th March, 1898.

5480. (*Dr. Horace T. Brown.*) Were any further steps taken by the local authorities?—Not by the local authorities, but the Inland Revenue sent an officer to Glasgow to take samples, with the result that they found nothing wrong with the whiskey as a body.

5481. I suppose this led you to think about it and to carry out certain experiments with regard to the action of some of these bye-products?—Yes. I had been consulted, of course, by distillers many long years before that, but I did not take any special steps immediately after this.

5482. You thought there might after all be something in it?—No, I did not think there was anything whatever in it.

5483. At any rate, there was sufficient doubt in your mind to lead you to investigate it?—I made investigations, in view of this case, two years ago.

5484. It was during this case that you made these experiments?—Before the first case came on in the North London Police-court, I made special experiments, physiologically and otherwise, but I had the experience long before that date.

5485. Will you describe to the Commission exactly what those experiments were on yourself?—The physiological experiments were made only two years ago, but my experience of the consumption of Cambus whiskey exclusively dates back for about 25 years. I consumed nothing else for three years. I got in quantities from the distillers, and never drank anything else during those three years. I have got copies of the invoices here of that date.

5486. These particular experiments that you made on yourself were only made two years ago?—Yes.

5487. They had nothing to do with this particular inquiry which was made ten years ago?—No.

5488. Will you kindly explain what those experiments were, and what the idea underlying them was?

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—Having perfect confidence in the innocuousness of the secondary products from both pot still and patent still in quantities which are or ought to be consumed, I prepared the impurities, the secondary products, from three bottles, that is, according to the process described by Dr. Bell in his evidence before the Select Committee. I prepared the secondary products by his method.

5489. That is the ether method?—The chloride of calcium and ether methods. I swallowed the product of three bottles of the pot still in one day, and the next day I swallowed the product of three bottles of the patent still, without the slightest effect.

5490. How did you get that into proper condition for swallowing? You had the residue from the ethers after the ethers were evaporated, how did you redissolve that?—I just added water to it and made it up to 250 cubic centimetres with water and consumed the whole contents.

5491. Do you know what the weight was, approximately, of those bye-products which you got in that way?—They cannot be weighed; they cannot be extracted and present without water. There is always a residue of a few drops of alcohol and some water from the evaporation of the ether, so that they cannot be taken out practically and presented by themselves.

5492. But you took the whole of these bye-products?—The whole of them, mixed with water.

5493. Did they have any effect on you?—None whatever. They could not, from the small proportions in which they existed in both whiskies.

5494. (*Dr. Cushny.*) Did you form any estimate of what there was in each?—In Table 3 I give an analysis of the proportions of each ingredient swallowed and the total. Table 3 gives the quantities and the age of the three bottles of pot still and of the three bottles of patent still, and the quantity of each ingredient swallowed, and the total from the half-gallon of pot still and the same from the half-gallon of patent still. (*See Appendix G, Table III.*)

5495. (*Dr. Horace T. Brown.*) Are these figures worked out from actual weights anywhere on this table?—In the fourth column there is the pot still, and in the eighth column the patent still.

5496. What are the exact figures?—The fourth column is headed "From half-gallon of pot still, in grains." The actual amount of ether swallowed in the half-gallon was 15·97 grains, and the higher alcohols 27·08 grains, and the total 51·08 grains for the pot still.

5497. (*Chairman.*) Have you consumed all these quantities yourself that are mentioned here?—I did, my lord, and should be happy to repeat it, at Somerset House or anywhere else.

(Adjourned for a short time.)

5498. (*Dr. Horace T. Brown.*) Before the adjournment you were describing to us certain experiments which you had made upon yourself by taking a comparatively large amount of the bye-products of certain whiskies?—Yes.

5499. You stated that the physiological effect, as far as you could judge, was absolutely nil?—That is so.

5500. You made some further experiments with regard to the possibility of there being anything of a poisonous nature in the way of volatile products in whiskey?—Yes

5501. Will you please describe those experiments?—I distilled duplicates of the six bottles already referred to in the other experiment, three pot and three patent, bringing over a small fraction of the entire spirit, and I used a freezing mixture round the condenser in order that every possible volatile product could be condensed. I swallowed the contents of these six bottles on successive days, one on each day; on account of the alcohol accompanying the supposed poisonous alkaloid, or aldehyde, I could not take more than one each day, that is on account of the ethylic alcohol present. I took one each day without any effect whatever.

5502. What proportion did your distillate bear to the total amount of liquid which you distilled?—5 per cent. of the distillate in each case.

5503. That, of course, would only bring over with it a certain amount of alcohol, the very volatile products?—Yes, the very volatile products—the strong alcohol.

5504. You have already referred to the analysis of the whiskies on which these experiments were made. They are contained, I think, in Table 3?—Yes.

5505. What is the upshot of all those as regards the physiological effect of the various products?—There was no effect one way or another, which I fully expected because the proportions of these ingredients are so exceedingly small in large doses of whiskey that they cannot possibly have any physiological effect.

5506. (*Chairman.*) The whiskey would have a worse effect?—The ethylic alcohol has the effect, my lord.

5507. (*Dr. Horace T. Brown.*) With regard to the ethers, you state here that Highland whiskey No. 5, which shows 154·16 parts per 100,000 of absolute alcohol, would only contain three-fourths of a grain in a wineglassful of whiskey?—Yes.

5508. Which you say is about 1/25th part of the minimum dose prescribed by the British Pharmacopœia for repeated administration?—That is so; the British Pharmacopœia dose is here.

5509. Are you not dealing with two different classes of substances here? I suppose the British Pharmacopœia refers to ordinary ether?—Acetic ether, which is the chief ether in these whiskies. This is the minimum Pharmacopœia dose of acetic ether.

5510. You are dealing with the so-called esters in the whiskies?—Yes.

5511. I suppose the Pharmacopœia prescription refers to ordinary ether?—No, it refers to acetate of ethyl, which is the chief ether of these whiskies.

5512. What have you to say about the furfural present in some of these whiskies?—It is so exceedingly small that it cannot possibly have any effect in pot or patent.

5513. That furfural, I suppose, was included in your bye-products soluble in ether, on which you experimented?—Yes; it is the one of all products that would remain behind—it is the least volatile.

5514. What is the amount of furfural you found in pot still whiskey?—I found from 1 to 7 parts per 100,000 of the alcohol.

5515. How much of the higher alcohols have you found?—In pot still I have found up to 240 parts per 100,000 of the alcohol.

5516. How does the patent still whiskey compare with that?—Patent still whiskey on an average contains very much less, but they approach each other as I have mentioned before—the pot still and the patent still together.

5517. Would you regard the absence of furfural from the spirit as being indicative of its being a patent still spirit, and not a pot still spirit?—Not in every case, but on the average it is so, because there have been pot stills found with even less than I have found. Dr. Schidrowitz found pot still with no furfural at all.

5518. Do you regard the patent still whiskey or spirit as a silent spirit?—No, it is not a silent spirit.

5519. You regard it as having a distinct flavour?—Yes.

5520. According to your experience, what is the effect of maturing such a patent still whiskey in wood?—It has the effect of what is called ageing it, rendering it mellow and milder. I have drunk new patent still whiskey, and I have drunk patent still whiskey 15 and 20 years old, and have compared the result.

5521. You think a patent still whiskey or spirit is suitable for consumption alone without the addition of any pot still whiskey?—Yes, I have consumed it myself for three years, getting it from the Cambus Distillery to my own house in casks, and have consumed nothing else for three years on end, and I use it still.

5522. You said in your *précis* that for further evidence of the fact that patent still whiskey as made in Scotland is not a silent spirit, you refer to the certificate of a public analyst of note in a prosecution under the Food and Drugs Act?—Yes.

5523. What does that refer to?—To the prosecution at the North London Police Court and Clerkenwell.

5524. What was the coefficient of impurities found in that case?—174. Dr. Teed mentioned that he had got patent stills up to 204, which is over half his standard.

5525. You are aware that the method employed by Dr. Teed was entirely different from the one you have used yourself?—Yes, but I am comparing them both on the basis of his methods.

5526. Your argument is that this patent still whiskey contained about the normal amount of impurities as compared with pot still—that is about one-half?—Yes, about one-half. Of course, it comes and goes. Pot still whiskies are so very variable in composition that you must take them by the averages and compare them.

5527. (*Dr. Adeney.*) What do you mean by taking them by the averages?—I mean if you take an extreme rich pot still whiskey, that is rich in secondary products, and compare it with the patent still whiskey, there will be a great difference between the two, but if you take the average there will just be the average difference.

5528. (*Dr. Horace T. Brown.*) Are you of the opinion that such a standard as laid down by Dr. Teed would condemn many genuine malt pot whiskies?—Yes, it would condemn many of the best Highland pot still whiskies made.

5529. You say it would condemn 15 out of 48 of those which you have examined?—Yes, it would condemn 15 out of 48 pot still whiskies.

5530. Where is that proved in the Tables?—That is in Table 1. The results obtained from that Table No. 1 are got by Dr. Teed's process. There are 15 out of 48. They do not come up to the 380 standard.

5531. You say that 15 out of these 48 are below the 380 standard?—Yes.

5532. Were these done exactly by Dr. Teed's method?—Exactly.

5533. Following out in the minutest detail the instructions?—Yes. I corresponded with Dr. Teed about the process exactly, and found that there had been a misprint in the minutes of the proceedings at the Police Court, which he had not observed, but he corrected it, and gave me the detail.

5534. I suppose on an average patent still whiskey contains a much smaller proportion of secondary products than the pot still?—On an average, yes.

5535. How much loss?—It varies from one-half to one-third on an average.

5536. You state that patent still whiskey does not contain anything, as far as is known, that is not present in pot still whiskey?—That is so. I never heard of anything contained in the one that was not also contained in the other.

5537. You mean that the ethers and the acids and the higher alcohols, and so forth, are all qualitatively the same in the two spirits?—Yes, but they do not exist in the same proportions, of course.

5538. But you can find none of the higher alcohols in one which are not present in the other?—No, I never heard of such a thing.

5539. Have you made careful experiments?—No, I have not made careful experiments; there is nothing on record to show that there have been very elaborate kinds of examination to examine the ethers extracted from whiskey. It has been done by Dr. Bell and others to some limited extent, and the ingredients of pot still and patent still whiskey are exactly the same.

5540. I am not aware of anything very definite on that point. If you can give us some reference to works of the sort we shall be glad. I know of the evidence of Dr. Bell before the 1890–91 Commission?—He stated, perhaps you remember, that propyl-alcohol predominated in patent still and amyl-alcohol in pot still whiskey. I can give you the reference. I have a reference here in Nettleton's book on spirits, which is another one, besides the one I have referred to. I am referring to page 405, where he says: "With reference to the above analysis Bell points out (evidence Select Committee on British Spirits) that the percentage of propyl-alcohol is low in fusel oils from pot still distillation." In the book "pot still" is printed "patent still"; but it is obvious that is a misprint and it should be "pot still." Then it goes on: "But the same alcohol is comparatively high in patent still spirit. The average molecular weight of the acids derived from the oxidation of the higher alcohols in patent still spirit is 75 to 80; whereas from pot still spirit the oxidation of the alcohols yields acids of the average molecular weight 88; proving therefore that the alcohols in pot still spirit are higher in the series than those in patent still spirit."

5541. Have you any further reference to that?—Yes, there is a further reference in Dr. Bell's evidence before the Select Committee.

5542. (*Dr. Adeney.*) I can give you the reference to that; it is question 3528. Dr. Bell is being examined by the Chairman, and he is asked, "Let us understand this, for that is a very important difference if it is established. You say that the fusel oil being separated and skimmed off in the patent still, the whiskey or spirit produced does not contain much amylic alcohol, but chiefly propylic?—Yes.

5543. (*Dr. Horace T. Brown.*) I do not know that that is absolutely conclusive. Now we come to the so-called definitions of whiskey. Do you object to definitions of whiskey?—I do not altogether object to definitions. I would rather see limitations with regard to the materials used in the manufacture of the whiskey.

5544. Will you please tell us what those limitations should be according to your ideas?—I have made a note of them here: "Limitations to be applied to every kind of whiskey. Whiskey is the product prepared by the distillation and rectification of the alcoholic liquid which is produced by the fermentation of the saccharine substances resulting from the action of cereal malts on the carbohydrates contained in the cereal grains used as human food. The degree of rectification, or extent of the removal of secondary products must be regulated to suit the public taste and demand, and there can be no standard in this respect, except that the product of the addition of any substance to flavourless or characterless spirit, in order to imitate the natural flavour of whiskey, would not be whiskey. The form or working of the distilling apparatus does not affect the question of whether the product is whiskey or not as long as the above conditions are observed."

5545. You restrict the definition to the products of distillation and rectification of the alcoholic liquid which is produced by the fermentation of the saccharine substances resulting from the action of cereal malts on the carbohydrates contained in the cereal grains used as human food?—Yes.

5546. You would restrict the conversion process of your mash to that produced by ordinary diastase of malted grain?—Yes. The public have had information, rightly or wrongly, that foreign spirits of very bad quality and flavour have been used largely in this country for mixing with pot still whiskey; and as a matter of fact at page 100 of Dr. Bell's evidence before the Select Committee, he gives a list of foreign spirits which he has analysed, and finds up to 1,000 parts of ether per 100,000 of the alcohol, and, of course, one can understand the effect of importing such a spirit here for imitation purposes.

5547. The point I want to bring out is that you would limit the conversion to that produced by the diastase of cereal malts?—Yes.

5548. You would not include any newer processes of spirit making such as have been introduced on the Continent lately?—I am not sure that I know what you refer to.

5549. I refer to the Amylo process for producing spirits?—We do not know that as whiskey.

5550. There is no diastase used there?—Yes; I understand that would be something added to what is silent spirit.

5551. That may or may not be?—What I say is this: there is no objection to adding any flavouring material to whiskey, provided it is whiskey already, but if you add something to silent spirit to make it whiskey then the product is not whiskey. A man may add flavouring matter to whiskey to improve it, as he may think, but it must be whiskey in the first place.

5552. What do you mean by flavouring matter? You would not suggest he should be allowed to use so-called essences?—Not to make whiskey.

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5553. But if it is whiskey, what do you say?—If it is whiskey it requires nothing, but if a man takes a fancy to adding lavender water he may, but then it is not whiskey. I know a man who adds lavender water thinking to improve it, and people put in certain aromatic substances, but then that is not whiskey, unless it has been so previously.

5554. What do you say if they were demanded by the public, and if the public taste demanded it?—Yes, but it must be whiskey in the first place. He must not add anything to make whiskey out of what was not whiskey. We must have whiskey, and then you can add to it what you like, and drink it as you please. True silent spirit is not whiskey, and any addition to true silent spirit would never be whiskey. The whiskey must be made and not doctored from silent spirit.

5555. You would not bar the use of colouring matter?—No; I think the Food and Drugs Acts allow a certain amount of colouring matter to be used.

5556. You would allow the use of maize in the mash along with barley, rye, oats, and so on?—Yes: a fine wholesome maltable grain.

5557. Then you say you are clearly and distinctly of opinion that any attempt to judge of the quality and character of whiskey by chemical analysis as carried out on the lines followed up to the present time must be futile?—Yes; that is my opinion.

5558. You will not go so far as to say that the average patent still whiskey cannot be distinguished from the average pot still whiskey by analysis?—On the average, no. Pot still gives no indication whatever of the materials used in its preparation. Analysis up till now gives no indication, but it simply gives quantities of ether, and quantities of alcohols, and quantities of other things, which do not tell you anything about the sources, so that all spirits are silent as to their source as far as their chemical analyses are concerned.

5559. Would you contend if you had a sample of whiskey of unknown origin that it would be impossible with certainty to say whether it is the product of the pot still or patent still?—No; it might have a composition that would indicate clearly that it was of pot still, or of patent, but when you come to blends there is such a great variation in the composition of pot still whiskies, as compared with patent, that you would never know where you were.

5560. You say that chemical analysis, in your opinion, is of no value in determining the nature of the materials, or the particular cereals used in the grist?—Absolutely none. It is of no value whatever. It is only an inference. There is an inference that if you get a small proportion of secondary product it has been made in a patent still from maize. It might be made from any other grain.

5561. As far as the chemical analysis goes there are very narrow limitations, you think, to the possibilities of determining the origin of any particular spirit?—Very narrow.

5562. That is if you know nothing of its history?—Yes, of an unknown sample, that is so.

5563. You put in some analytical results in which you compare the composition of the rye and Bourbon whiskies with the Highland or Lowland malt?—Yes.

5564. I think the general trend of your evidence is to show that if you only had the analytical data to go on, you would not be able to differentiate these various whiskies?—Yes.

5565. That is the point you wish to bring out?—Yes.

5566. And that analytically you would not be able to differentiate them from brandies?—Yes.

5567. I notice in one of these brandies the fine champagne, 1868, D'Artot Cognac, you find as low as 82 parts of ethers per 100,000?—Yes. That would be passed as a genuine brandy under the standard.

5568. It is just on the limit?—Yes, it is just on the limit, but it would be passed as genuine brandy on the standard that has been set up.

5569. But if that had been 79 it would not have been?—Strictly speaking, it would not.

5570. What is the particular thing that counts in the value of whiskey according to your ideas?—There is the proportion of ethylic alcohol present, and the flavour. If it has a fine and rare flavour like wine it brings much more money than if it has a coarse and harsh flavour for the same strength.

5571. Have you any idea as to what changes take place in a cask of maturing spirits?—Dr. Bell investigated that very thoroughly, and did not find that any changes took place at all, except such as were due to concentration in the bulk in the cask. The Americans have been working upon it for a number of years, and in the last journal of the American Chemical Society there is an article upon the ageing of whiskey during eight years, and they find that, while the higher alcohols have not changed in any way except in a degree due to the concentration of the bulk in the cask, the ethers have increased and the volatile acid has increased.

5572. (*Dr. Adeney.*) Could you give the reference to that paper?—Yes, it is the journal of the American Chemical Society for January, 1908, and the article begins at page 98.

5573. That is the paper by Crampton and Tolman?—Yes.

5574. (*Dr. Horace T. Brown.*) Do you think that the public taste as regards whiskey has altered materially during the last 20 or 30 years?—Yes, it has altered materially, I think.

5575. In what direction?—In the direction of consuming a milder flavoured spirit, just as it has done with beer.

5576. You refer here to certain observations of Dr. Bell on a product obtained by the use of Wallace's patent still?—Yes.

5577. Was that a private communication from Dr. Bell to Mr. Wallace, or is that published?—It is marked private, but it is printed, all the same, for circulation.

5578. Can you give us the reference to that?—I have the circular here.

5579. Is there any communication as to what that still was?—Yes. Nettleton gives an analysis of the Wallace whiskey on page 404, I think it is. In the whiskey from Wallace's still he gives the higher alcohols as ·045.

5580. That is rather high, is it not?—He does not say whether it is in the 100,000 of alcohols, or whether it is in the whiskey as it stands. That would give about ·8 for the 100,000 of alcohol.

5581. What are the conclusions you draw from the certificates of Dr. Bell?—That he approved of a large proportion, from half to two-thirds, of the fusel oil being removed from ordinary pot still whiskey—that it would be a great advancement and a great step forward.

5582. Then you bring in the late Mr. Allen, also?—Yes. He wrote a paper on a process known as Scott's Process, which I happened to know something about at the time. The object of that process was the removing from one-half to two-thirds of the fusel oil, and other compounds; and Mr. Allen certified that that was done to the great advantage of the public. I have his paper here.

5583. I think you can scarcely claim Mr. Allen as wholly and entirely with you on the question of patent still spirit?—Perhaps not; but he certainly certified that that spirit containing only one-half or one-third of the secondary products of ordinary pot still whiskey was a vast improvement as regards the public.

5584. But did he say that patent still spirit was a whiskey?—I really do not remember.

5585. You also refer to certain certificates of Dr. Clark, the public analyst for the City of Glasgow?—Yes.

5586. To what do those refer?—They were certificates certifying that Cambus whiskey is a very fine whiskey, of excellent quality in every respect. I have a copy of his certificate here. He was my partner for 20 years, so that I knew him intimately.

5587. Do you think there is any fundamental difference between the process of distillation by the pot and patent still?—Fundamentally, there is not.

5588. Do you think that the pot still whiskey contains all the secondary products of fermentation?—It only contains a small fraction of them.

5589. So that the pot still really is a fractionating apparatus?—Undoubtedly; that is what it is there for, largely. There is only a very small proportion of the secondary products of the fermentation that go with the whiskey in the case of pot still.

5590. As regards the working of the pot still, you have yourself made direct experiments to show the amount of elimination of the bye-products going on during the process?—Yes.

5591. Will you give us some descriptions of those eliminations, as nearly as you can?—Table No. 4 shows them at a glance. (*See Appendix G, Table IV.*)

5592. I think if you read the opening of that table it will explain exactly what you want?—"The object of making these analyses was to ascertain the respective proportions of bye-products, higher alcohols, ethers, volatile acids, aldehydes, and furfural, carried away in the spirit, the spent wash and the spent lees respectively. For this purpose the whole production of a period is taken, in which 40,000 gallons of fermented wort, or wash, are distilled, yielding of whiskey at 11 O.P. 4,000 gallons (equal to 2,536 gallons of absolute alcohol), 8,000 gallons of spent lees, and 28,000 gallons of spent wash. The following table shows the composition of the three products in grains by weight per 100,000 fluid grains of the products respectively, as well as the total amount of bye-products removed by each of the three."

5593. Will you give us the net result of that?—The net result is that the total secondary products in the spent wash and spent lees together, exclusive of volatile acids, is 47·6—they go away, and the total secondary products in spent wash and spent lees, inclusive of volatile acids, is 76·3. These never see the whiskey at all.

5594. What are the 47·6 and the 76·3 calculated on?—On the whole charge of 40,000 gallons of wash.

5595. What do they represent?—They represent that of the total secondary products present in the wash 47·6 are carried away by the other products of the alcohol, that is the spent wash and the spent lees.

5596. What is the 47·6. Is that the percentage?—Yes, the percentage in the whole 40,000 gallons of wash.

5597. What is the 76·3?—It includes the volatile acids.

5598. But those add to considerably more than 100?—Yes.

5599. Is the 47·6 included in the 76·3?—Yes; in the 76·3 the 47·6 is included. To take it plainly, the 47·6 is really the proportion that goes away in the spent lees and spent wash. The 47·6 is what it would be after you took off the volatile acid.

5600. Is the balance what has gone into the whiskey?—Yes.

5601. That is 23·7?—Yes.

5602. So that you would claim from this that there was a considerable amount of fractional distillation going on?—Yes, there must be. That is the whole object of the pot still, to fractionate.

5603. I see that in the body of your *précis* you have given the percentage of the various bye-products reckoned on the original weight of the whiskey, showing that the Cambus contains something like one-half of the bye-products of the Tobermory?—Yes, it is something like that.

5604. Tobermory is a pot still whiskey?—Yes.

5605. Do you wish to draw attention to certain anomalies met with in the application of the Food and Drugs Acts to which you have referred in your *précis*?—I thought it was an example of action by local authorities in the opposite direction from this. The Distillers' Company, or the seller of the product, are prosecuted for having an article pure, and in the case of sugar they are prosecuted for not having it pure enough. Whiskey, according to the prosecutions in these cases, ought to have contained so much secondary product, that is to say, they would not allow it to be sold if it was pure alcohol or nearly so. In the case of sugar they were prosecuted because these natural secondary products were left in, the pure sugar corresponding to the pure ethylic alcohol.

5606. Is not there underlying that some confusion with regard to the use of the word "impurities"?—It is the word used by the authorities in both these cases. They prosecuted in Edinburgh because the sugar was not pure enough, and for not having the fruit sugar eliminated—the materials of brown sugar were not eliminated, and here they prosecute people because they do eliminate them.

5607. You have certain views with regard to that. You say that if any restrictions or conditions are imposed upon whiskey which are to be based upon chemical analysis, the methods by which such analyses are to be conducted should not be left to the discretion or indiscretion of public analysts?—That is clearly my opinion. I think public analysts have far too much in their discretion.

5608. What is your idea—that there should be some central body to which all these things should be referred?—Yes. There is the Local Government Board and the Board of Agriculture. After taking evidence I think they ought to have power, especially if recommended by a Royal Commission or a Select Committee, after taking evidence, to fix whatever standard they please for foods, and that irresponsible analysts should not be allowed to make standards for themselves on such an important matter.

5609. Then there would be some precedent for that?—Yes, for the authorities appointing standards. There are standards for various things already as for whiskey as regards water, brandy, rum, and gin, and so on, and for margarine as regards the proportion of butter allowed, and for milk, and so on. Butter as regards water only. It must be a genuine butter, but there is a certain amount of water allowed—16 per cent.

5610. Then you state that if patent still whiskey, as made in Scotland, is not whiskey, and pot still whiskey, as made in Scotland, is whiskey, then it follows that no admixture of the two can ever be whiskey, and all blends of the two must be adulterated?—That follows. A mixture with a pure thing of an adulterated thing will never make a thing that is genuine.

5611. But how would that apply if the exact blends were declared?—There is a special ruling for that in the Food and Drugs Act, where the different parts of a food are declared. Coffee and chicory are totally different, but if they are properly declared there is no fraud on the purchaser.

5612. You say if it is decided that patent still spirit shall not be called whiskey, and a blend is made of patent still spirit with pot still whiskey, that blend, under ordinary circumstances, could not be described accurately as Scotch whiskey?—No.

5613. But if that blend were declared as a blend, could it then, in your opinion, be described as Scotch whiskey?—Well, not unless the proportions were given, or at any rate, not because it merely stated that the article was a blend of so much of the one and so much of the other. It does not give the consumer, or the purchaser, the slightest idea of the proportion. It might be 99 of one and 1 of the other, or *vice versâ*; so that it would convey no idea whatever. You cannot label a glass of whiskey, and the label could only be put on the bottles and casks.

5614. I believe you have put in a supplementary *précis*, have you not?—Yes.

5615. I have not had time to look at that, but I will ask you to call our attention to the particular points which you think are of importance in this supplementary *précis*?—You have asked me already about maize. I have said that it is a maltable grain, and that the use of it ought to be allowed. There is the point that the secondary products in all kinds of whiskey, pot and patent, are the more toxic the higher they are, that is, the more carbon they contain in their elementary composition. If that is the case, then if there is anything at all injurious in the whiskey it must belong to the pot and not to the patent. They are in such very small proportions in the whiskies that they cannot do any harm.

5616. The higher alcohols are contained in the pot whiskey?—Yes. Then the next is the same point, that there is no harm in maize because it is used in American whiskey to such a very large extent. Dr. Schidrowitz thinks that the characteristic aroma of American whiskey is derived almost entirely from the charred package in which it is aged. That is referred

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to in the same American journal. The only other point is as to old practice, 100 years back, and as to what was used then. Of course, there was no maize known then in pot still, and necessarily operations were confined to other grains, but the proportions of malted barley seem to have been very small in most cases.

5617. To what date are you referring now?—1828.

5618. The point of that is to show that raw grain was used in those days?—Yes. Comparatively little malt was used in the grist, the point being to be able to distil in a pot still something of the composition of pot still whiskey. I took samples from a bonded warehouse a fortnight ago of whiskey having exactly the composition of pot still whiskey distilled in a patent still from all malt. The composition of that is shown in my Table No. 1. It is Table No. 1, Grain Whiskies No. 7.

5619. No. 7 contains 183 parts of higher alcohol?—Yes, that corresponding to pot still whiskey.

5620. What is the general character of that whiskey?—You would not know it from pot still whiskey. There is a bottle here taken by the Inland Revenue officer at the time. I will hand it in to the Commission.

5621. (*Mr. J. Y. Buchanan.*) What age is that?—The age is on the bottle.

5622. (*Dr. Horace T. Brown.*) Do you know anything of the process by which that was manufactured?—All I know is that it was manufactured from all malt in a patent still. I have a sample here 12 years old. There were some 12,000 gallons in the store when I took it. It has the initials of the Inland Revenue upon it.

5623. This is a pure malt whiskey made in a patent still?—Yes, the point was whether a patent still could make whiskey of the composition of pot still. The one that I have handed in marked 12 years old has been in bond for 12 years. Those samples have not been in a sherry cask at all but just plain wood.

5624. You do not know what alteration was made in the still to produce this?—It was run at a lower strength than usual.

5625. With everything else the same?—I do not know that there was anything else, but there are various ways of doing it. You can put on a little more steam and you get it. It can be got at any moment when it is necessary.

5626. ((*Dr. Adeney.*) In reference to this table No. 4, have you compared those results with the results that Dr. Schidrowitz published in the Journal of the Institute of Brewing?—I do not know if I have compared them with these, but I had some conversation with Dr. Schidrowitz on the subject, and I found that the results corresponded fairly closely with mine. He got rather more secondary products carried away by the spent wash and spent lees than I did.

5627. You showed him this table 4?—Yes.

5628. In your conversations with Dr. Schidrowitz your two observations agreed you think?—Yes.

5629. In your analysis which you have given us, I see you return your higher alcohols as amylic alcohol?—Yes, they are calculated on the basis of amylic; that is the customary way.

5630. You did not determine the total acids?—No, I thought the fixed acids were not of any consequence, as they were not included as secondary products in these prosecutions.

5631. Are Dr. Teed's in the volatile acids?—Yes, I think so.

5632. Can you tell us that for a certainty? In his *précis* he simply notes the acidity. It is important to know that, because unless you are agreed on that point your results, as results, are scarcely comparable?—Quite so. I think he means volatile, because he says "acidity calculated as acetic acid," which is a volatile acid.

5633. With regard to the colorimetric test as carried out by Dr. Teed of the higher alcohols, we had strong expression of opinion from Dr. Schidrowitz that that colorimetric method was not a method of value for a serious examination of spirits. Do you agree with that?—Yes, I agree with that. It may have a purpose to serve, but it is not suitable for basing a prosecution upon under the Food and Drugs Act.

5634. Do you agree with the contention that the Allen-Marquardt system is a good one?—Yes, it is the most suitable we have. It is not a perfect process, but it is used in America and elsewhere.

5635. It is used amongst chemists universally?—Yes, it is used amongst chemists universally and approved.

5636. Is it a reliable method for indicating propylic acids in alcohol?—Well, if there is any carbonic acid given off during oxidation it is a defect. Normal propylic alcohol does not give off carbonic acid in oxidation, consequently it is not defective in that respect.

5637. In the process of separating these higher alcohols is propylic alcohol satisfactorily separated from the ethylic alcohol?—I believe there has been objection taken on the score that it was not completely extracted; but at the same time it is the most perfect process we have for taking off secondary products together.

5638. You have not made any examination as to that point?—No, none at all.

5639. Did I gather aright from the general tenor of your evidence that there is really, so far as public health is concerned, nothing in ageing whisky?—I do not think there is. Really, it is a point that has never been thrashed out. I am not aware of any experiments that have been made in testing the effect on the public health of new as against old spirits of any kind.

5640. In an opinion based on the observations that have been made so far, for instance, Dr. Bell's and your own, the conclusion would be justified that there was really nothing in maturing spirits?—There is something in it as regards the production of a more agreeable flavour, but as regards public health I think there is really nothing to show.

5641. Do you think the evidence is of a sufficiently exact nature to justify any conclusion upon the subject?—No, I do not say that it would justify any conclusion on the subject. I think we have not sufficient opinion as regards the physiological effect of new and old spirits.

5642. The observations which have been made have been very restricted, have they not?—I think so

5643. For instance, in taking old brandies. You have, no doubt, analysed old brandies?—Yes.

5644. You have been struck, no doubt, with the very high amounts of impurities in old brandies?—They would not be different from new. The proportions of higher alcohols do not increase. The ethers may.

5645. A paper was handed in by Dr. Schidrowitz, a reprint from the journal of the Institute of Brewing, and in it he makes this remark: "It is obviously absurd to compare a spirit 50 years old, possessing, say, 600 or 700 parts of secondary products—the greater part of which are obviously due to age, and not to initial quality—with a brandy of the ordinary commercial age—say six to 10 years." Dr. Schidrowitz clearly indicates there, I think, that much of the impurity in the old brandy is the result of changes during keeping?—Unless it is ethers he refers to, they may increase.

5646. Do not acids very largely increase?—Yes.

5647. And even higher alcohols?—No; not higher alcohols.

5648. Can you state that from your own observation?—I cannot say that I can say it from my own observation; but Dr. Bell founded it upon his own observation, and I could never hope to reach Dr. Bell without a vast expenditure of time and labour. The Americans found that they have not increased. I do not want to speak for Dr. Schidrowitz, but I think he must mean ethers, acids and extracts from the cask.

5649. I understand you to point out that the whiskies that Dr. Bell examined for this purpose were not old whiskies as compared with some of the brandies that have been examined?—Perhaps.

5650. Dr. Schidrowitz refers to brandy 50 years old. That is not at all an uncommon age?—Dr. Schidrowitz had not the original sample of 50 years old to compare it with.

5651. But there are analyses of old brandies which show a very remarkably high coefficient of impurities?—At that time there is no doubt there were higher proportions of secondary products in brandy than there are now.

5652. You think it was due to the original quality of the spirit, and not necessary to any ageing?—I think so, in the face of the fact that Dr. Bell found no increase in the higher alcohols in old—or comparatively old—whiskies, compared with new.

5653. Can you tell us the age of the samples of whiskey that he analysed?—I cannot say off hand, without turning up the reference, but if we take the Americans it was eight years old pot still whiskey.

5654. There is so much—what shall I say?—prejudice—I will put it in that way—amongst men as to the value of old spirits as compared with raw. I am concerned to see if there is any solid ground for that prejudice?—All I can say is that taking the secondary products from the half-gallon of pot still and from the half-gallon of patent still, that I have swallowed myself, there was one bottle of quite new whiskey in each of them.

5655. I think you will agree with me that we ought to be extremely careful as to the weight that we put on the evidence which has so far been brought forward?—Yes.

5656. I am not convinced myself that the evidence is complete?—I think it is not complete. I think we have not sufficient information on the subject, as I have said.

5657. (*Mr. J. Y. Buchanan.*) You receive frequently specimens of whiskey for analysis?—Yes.

5658. What are the questions usually put to you to decide?—They are various. Sometimes they imagine a bad flavour in the whiskey, due to aldehydes or ethers. Ethers is the name they use for everything; not the ethers we are talking about, but the first vapours that come over in the still; and very often it is a question of the admixture of pot and patent still.

5659. Mostly they are manufacturing questions that you are asked to decide. They are questions by the manufacturers—the distillers?—Yes, and by the retailers also.

5660. Is it often put to you to detect whether there are injurious or foreign ingredients in the whiskey?—Yes.

5661. That is adulteration?—Yes.

5662. And injurious adulteration?—Yes, I have had that, too.

5663. Even to the extent of poisons?—Yes; I generally drink them if I have a sufficient sample, and if not I send for more.

5664. Whence do you generally obtain the samples of presumably very injurious, or even poisonous whiskies?—From publicans sometimes, who come and say that a customer has complained of the whiskey, and that it made him ill.

5665. Complaining of it being injurious?—Yes; that their customers got sick after it, or something of that sort.

5666. From what kind of public-house would these be?—The ordinary class of public-house.

5667. Not a particularly low class of public-house?—I do not think so. I drink whiskey myself. I have drunk whiskey myself that I have got in 20 of the lowest public-houses in Glasgow without any bad effect at all more than that owing to the ethylic alcohol. I went round at one time with a friend of mine and went into 20 of the lowest public-houses in Glasgow and we bought two gills of whiskey, put it in a bottle, and took it home, and we both consumed it till it was done; and we made some tests upon it.

5668. (*Mr. Guillemard.*) How long ago was that?—I mentioned the other day that it was 20 years ago, but I find now that it was 30 years ago; it was followed by an Inland Revenue examination at the same time—they sent officers to Glasgow. They collected 50 samples of whiskey with the very same result.

5669. (*Mr. J. Y. Buchanan.*) So far as the whiskey was concerned it was wholesome?—Yes. There is a lot of prejudice about it. People drink too much whiskey, which makes them ill, and then they blame the quality.

5670. Your experience is in Glasgow, where there are plenty of low-class public-houses, and a great deal of drinking by people who do not discriminate very much. Your experience is that the whiskey sold in these houses is perfectly wholesome?—Yes, though some of it is very nasty to the taste.

5671. (*Chairman.*) That does not deter you from drinking it for tests?—No.

5672. (*Dr. Horace T. Brown.*) Was the nasty taste owing to the newness?—Yes. In the distillation sometimes the whiskey is spoilt, and rather than re-distil it they sell it and take what they can get for it.

5673. (*Mr. J. Y. Buchanan.*) Would the quantity of that damaged whiskey be very great?—I do not think so. People would not drink it except the very lowest class.

5674. (*Dr. Horace T. Brown.*) Are you referring to the patent whiskey there?—I am referring to whiskies generally of which I do not know the origin.

5675. (*Chairman.*) You could not tell that by the flavour?—No.

5676. Was it all nasty?—There were some nasty ones in the 20 lots that I took.

5677. You could not tell whether it was pot or patent?—I think it was pot still whiskey spoilt in the distillation. There was a nasty rank taste about it.

5678. (*Mr. J. Y. Buchanan.*) When these drinkers find that they have taken too much and find afterwards that it has injurious effects upon them, are they in the habit of blaming the method of distillation?—Not seriously. They tell their wives and families that it was real bad stuff.

5679. Is that generally believed?—I was asked that question particularly by the local authority of Glasgow, and I think in one sentence I answered it as nearly as I could: "To what then are we to attribute the terrible effects of which we are sometimes unwilling witnesses, and to what are we to impute the popular theory that new whiskey, or drugged whiskey, is the cause of these? Well, the effects are due to a variety of causes, such as taking too much, and forgetting how much was taken—to mixing drinks, that is, drinking whiskey and beer promiscuously—to lying about what is or has been drunk—to drinking on an empty stomach, or when the constitution is physiologically in a low state—to personal idiosyncrasies, and—to latent pugnacity."

5679*a*. I suppose one may conclude from that that the person who suffers from taking whiskey would be in the wrong in blaming a distiller, and would be probably right in blaming himself?—Yes, that is the natural tendency of a drinker.

5680. (*Chairman.*) What is that which you quoted from just now?—That is from a letter I wrote to the Chief Sanitary Inspector of Glasgow in reply to his request that I should give him a report upon malt whiskey and raw grain whiskey.

5681. (*Mr. Guillemard.*) That was in 1898?—Yes; it was a report on patent and pot malt and grain whiskey in order to determine whether it was a proper case in which to institute proceedings.

5682. What is the date of that?—The 12th March, 1898.

5683. (*Mr. J. Y. Buchanan.*) Do you know, of your own knowledge, how long patent still whiskey has been drunk in Scotland in the ordinary way?—It is 25 years since I got it by the cask from the Cambus Distillery. I have the invoices here. I drank it for three years on end then.

5684. It has been used much longer than that?—Yes. I drank it myself 40 years ago.

5685. The Coffey Still was invented in 1831?—Yes.

5686. They were putting out patent still whiskey in Scotland before 1840?—I have no doubt.

5687. We had it in evidence that it had been used considerably in Scotland, and is, in point of fact, their favourite spirit in Edinburgh and Glasgow?—I have no doubt of it.

5688. If then it has been used for over 40 years under the name of "whiskey," do you not think that it thereby acquires prescriptive rights to the name?—Yes, I think so, even if it did not exactly deserve

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it. It is like a prescriptive right to pollute a stream, though it is a wrong thing to do; but in this case there is nothing wrong.

5689. It has from that point of view an equal right to the name of "whiskey" with the kind that has existed for longer?—Yes, I think it has a claim both ways.

5690. (*Dr. Cushny.*) I want to ask you a question about those bye-products. What do you say about the flavour of those bye-products?—In the case of old pot still there is a rank, harsh flavour, and in the case of the patent still the flavour is much milder. It follows from the proportions in the two. These samples that I have here represent the total secondary products in one class, the pot still, and in the other class those of the patent.

5691. Did the general flavour of the whiskey remain with the bye-products?—Yes, it was isolated by the absence of the ethylic alcohol.

5692. But you could distinguish between the two sets of bye-products quite easily?—Only as regards intensity. I do not think I could distinguish as regards the quality of the flavour. It was a smaller quantity in the case of the patent still.

5693. You suggest, I think, that silent spirit ought in no case to be used to make whiskey?—Yes, that is my idea; that you must not make whiskey by adding any flavouring matter at all to silent spirit—I mean German spirit, or Russian spirit, or Cologne spirit, or spirits of wine.

5694. How are you going to define silent spirit, or patent spirit?—It is the source of the grist that it is made from. I think the grist ought to be limited.

5695. You can make absolutely silent spirit from a patent spirit, can you not?—Yes, you can make absolutely silent spirit from pot still spirit also.

5696. Why should not the silent spirit be used instead of patent spirit and pot spirit?—My idea was to limit the sources from which whiskey could be made—that is, limit them to cereals, because we have been accustomed to consider whiskey as a product from cereal grains, not something made from sugar, molasses, or roots of any kind.

5697. As far as regards the taste and flavour and chemical analysis goes, you might make a blend of patent spirit?—Chemical analyses are of no use whatever in determining the nature of the ingredients under the Food and Drugs Act.

5698. Or anything else? Suppose you made a blend of Islay whiskey and German spirit, you could not detect that from a blend of patent spirit?—No, not at all. Chemical analysis is quite incompetent to do anything of that kind.

The witness withdrew.

Mr. P. McPhail.

Mr. Peter McPhail, called.

5699. (*Mr. Guillemard.*) I believe you are a wholesale and retail wine and spirit merchant of 45A, Morrison Street, Edinburgh?—Yes.

5700. You have had 44 years in the trade?—Yes.

5701. You have been in business on your own account for 33 years?—Yes.

5702. You do a large business in Edinburgh?—Yes. With your permission I wish to state that I am unable to give the number of customers during the week, because I found it impossible to estimate them.

5703. (*Chairman.*) We have not reached that point yet. Do not jump before you come to the stile.

5704. (*Mr. Guillemard.*) Can you say what your experience has been of the public taste in Scotland—whether there has been any change in the time that you have known it?—There has been a great change in the last 33 years.

5705. In what direction?—The direction of the public taste I have found has inclined towards a more silent whiskey since 33 years ago.

5706. Meaning by a more silent whiskey what?—A blend of patent and pot still whiskey.

5707. How far has that gone? What is the proportion? Taking your own sales, what blends are you selling now?—I sell a blend generally of two-thirds grain and one-third malt—pot still.

5708. You get to an even greater proportion of grain than that sometimes?—Yes, sometimes.

5709. The public taste is definitely in the direction of a demand for that sort of blend?—I find it so.

5710. Do you do your own blending, or get them blended for you?—I do my own blending and bonding.

5711. Do you sell any pure grain whiskey?—No; I do not sell any pure grain whiskey.

5712. Do you sell any pure pot still malt whiskey?—Yes, I do.

5713. Much?—There is very little demand for it. I have it billed in the windows and inside, and there is very little demand for it.

5714. When your customers come in, what do they ask for, as a rule?—As a rule, customers come in and ask for a glass of whiskey, and sometimes for a glass of spirits, meaning the same.

5715. You yourself have, of course, always known that there are two sorts of whiskey?—Yes.

5716. Pot still and patent still?—Yes.

5717. Have you ever considered that one was entitled to the name of Scotch whiskey and the other not?—I always considered both entitled to the name of Scotch whiskey.

5718. Now, to go outside your own experience a little, your principal sale is of blends?—Yes.

5719. And you find that the public demand a blend from you?—Yes.

5720. Do you think that experience is general, taking the public-houses of Edinburgh generally?—Yes, that experience is general.

5721. Are there any public-houses or shops in Edinburgh which, to your knowledge, do confine themselves to pot still alone?—Not one to my own knowledge.

5722. Your view would be that all blends of pot still and patent still may be properly regarded as whiskey?—That is my view.

5723. And if they are made in Scotland they may be regarded as Scotch whiskey?—Yes.

5724. The proportions in the blend really do not affect the matter?—I do not think so.

5725. (*Mr. J. Y. Buchanan.*) You say you have been for 44 years in the trade in Edinburgh?—Yes.

5726. I suppose patent still whiskey has been used during the whole of that time?—Yes; but it was not used in the shop I was in to begin with.

5727. To begin with, was it pure pot still?—Yes, pure pot still.

5728. When did they begin in your shop to use patent still?—I cannot recall the exact time, but it was some time after then.

5729. At first it was in relatively small quantities?—Yes.

5730. How much would you say, 20 per cent.?—Perhaps one-third of the patent and two-thirds of malt.

5731. You have gradually increased that owing to the taste of your customers?—Yes, owing to the taste of my customers.

5732. They prefer a milder whiskey?—Yes, they do.

5733. What is the class of your customers generally—I mean the majority of them?—They are all classes, the working class and the better class.

5734. I suppose most of the trade is on Saturdays?—It is during the whole week, but Saturday is the busiest day.

5735. Have you, during that long time, observed any change in the effect of the drink on the customers which could be attributed to the change of the

character of the spirit?—No, I have never noticed that.

5736. You have not observed, with those who are inclined to exceed, that the effect has been visibly worse or better than it was in your early days?—No, I have not seen any difference. I cannot detect any difference in the effects.

5737. In that respect you think the present usual blend stands about upon the same footing as the original pot still whiskey that you used?—I consider that is so.

5738. Do you think there is any change in the quantity that a customer will drink of the whiskey now from what they used to drink?—I do not think so.

5739. It is regulated mainly by what he has been used to drink?—Yes. There is one thing I am very strongly in favour of, and that is an age limit. I think all whiskey should be kept in bond for two years at least.

5740. Irrespective of whether it is pot still or patent still?—Yes, irrespective of whether it is pot or patent, because I am sure that it would satisfy the customers if they knew that they were supplied with spirits of a certain age.

5741. How long, may I ask, has the whiskey that you supply been kept on an average?—Some of it is kept on an average for ten years, and other kinds, the cheaper kinds, about four or five years.

5742. That is what you sell over the counter when you are being simply asked for a glass of whiskey?—Yes.

5743. That would be on an average four or five years old?—Yes.

5744. What would be the average of the best class?—About ten years.

5745. The majority of the customers—the ordinary customers—will get a whiskey of about four years old?—Yes.

5746. (*Chairman.*) You are your own blender?—Yes, my lord.

5747. In order to do that you must have two classes of whiskey, I presume, pot still and patent still whiskey?—Yes.

5748. In the first place, are they different in price as invoiced to you?—Yes.

5749. Which is the higher?—The pot still whiskey is higher.

5750. I will not ask you the price of each, but what is the relative degree, the one to the other? How much higher is the pot?—The price of the pot would perhaps be double that of the patent.

5751. You blend as you think fit?—Yes, I do.

5752. And what you offer is dependent on the public taste?—Yes, that is what I consider.

5753. You say the blend is generally two-thirds of patent and one-third of pot?—Yes.

5754. But you vary it?—Yes, I vary it sometimes.

5755. Why do you vary it?—We might use more patent still. We can vary it by using more patent still and less Highland malt, because I consider that Highland malt is heavier and thicker.

5756. But I want to know the reason for the variation. Do you have one proportion of blend one day and another proportion on another day?—We have different blends with varying proportions which are supplied to wholesale customers according to their taste. We do not blend it from day to day.

5757. No, but from time to time?—Yes, because we can use some Lowland malt in the blend.

5758. That is the cheaper kind?—Yes, it is cheaper than Highland malt.

5759. Do you try the public to see how much they will stand?—No, I do not think so.

5760. I mean to say, try them to see how much their taste will allow. I only give you credit for looking after your own interests. I suppose you do that?—Yes, my lord, I do that.

Mr. P. McPhail.

7 April 1908.

The witness withdrew.

Adjourned to to-morrow, at 12 o'clock.

TWELFTH DAY.

Wednesday, 8th April, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. GEORGE THOMSON, called.

Mr. G. Thomson.

8 April 1908.

5761. (*Dr. Adeney.*) You reside, I believe, in Glasgow?—Yes.

5762. What is your address?—708, Pollockshaws Road, Glasgow.

5763. You are a retail wine and spirit merchant?—Yes.

5764. Do you carry on business at Glasgow?—Yes.

5765. How many years have you been in the trade?—I have been 25 years in the trade.

5766. Have you traded on your own account during the whole of that time?—No, I have traded for 14 years of that time on my own account.

Mr. G. Thomson.

8 April 1908.

5767. You are now trading on your own account?—Yes.

5768. Can you give us any idea of the extent of your business?—The average is about 400 customers per day.

5769. What class of customers are those?—Just ordinary customers.

5770. Are those customers in whiskey?—They come in both for whiskey and beer and other drinks.

5771. And take it across the counter?—Yes.

5772. What whiskey do you sell?—I sell Cambus whiskey, Glen Burgie, and proprietary blends.

5773. Do you sell pure malt whiskey?—Yes, I sell pure malt whiskey too.

5774. How do you sell these whiskies? If a customer comes to you and asks for a glass of whiskey, what do you supply?—If they ask for a glass of the best, that means 3½d., and that would be a blend, and if they ask for a glass of Cambus that is 3d.

5775. If they want a glass of malt whiskey how do they ask for that?—They ask for a glass of malt.

5776. How much is that?—5d.

5777. From whom do you obtain your spirits?—From the distilleries.

5778. Where do you get your Cambus whiskey from?—From the Distillers' Company.

5779. How is it invoiced to you?—As Cambus whiskey.

5780. What is it known as in the trade?—In the trade it is known as Cambus whiskey.

5781. I see in your *précis* that you call it grain whiskey?—That is so; it is known as grain whiskey.

5782. Do your customers know it as grain whiskey?—Yes.

5783. And they ask for it as grain whiskey?—Yes.

5784. Do they know the difference between grain and malt whiskey?—Yes.

5785. Are they aware that grain whiskey is a patent still whiskey?—I think so.

5786. Are they aware that it is produced from maize?—Yes.

5787. Where do you get your blend from?—I blend it myself.

5788. What do you blend? You need not tell us exactly the quantities?—I blend about 80 per cent. of Cambus to 20 per cent. of malt.

5789. That, I think, you said you sell at 3½d. a glass?—That is so.

5790. That would be ½d. more than the Cambus?—Yes.

5791. Could you tell us the proportionate prices that these three whiskies cost you? I do not wish you to tell us the exact prices unless you wish?—I can tell you if you would like to know. Cambus is invoiced at 1s. 3d. per gallon with a discount, and Glen Burgie at 3s. 7d. per gallon with a discount.

5792. I notice you say you also sell Dewar's, Walker's, and Mitchell's, proprietary blends?—That is so.

5793. Do you sell much of those in proportion to the other whiskies?—No, nothing like it.

5794. Do you sell those by the glass across the counter?—Yes.

5795. I suppose you sell them also in bottle?—Yes, in bottle too.

5796. You have no doubt in your own mind that all these whiskies that you have referred to should be called whiskey?—Undoubtedly, I would say they were all whiskies.

5797. Have you held that opinion for the 25 years that you have been in the trade?—Yes, that is always recognised in the trade that they are that.

5798. That you know from your 25 years' experience?—That is so.

5799. Would you mind telling the Commission about what amount you sell of Cambus whiskey?—I would say I sell about 14 gallons per week of pure Cambus.

5800. What is that in proportion to the malt?—In proportion to pure malt?

5801. Yes?—I sell very little pure malt whiskey because they do not care for it, it is too pronounced.

5802. But you told us that you sold it at 5d. a glass?—That is so, we could not sell it for any less.

5803. Is there much demand for it?—No; there is no demand for malt whiskey.

5804. What is the proportion of the sales of your blend as compared with the Cambus?—It is greater.

5805. (*Mr. J. Y. Buchanan.*) The blend is greater than the Cambus?—Yes.

5806. (*Dr. Adeney.*) Would you give us the proportion? You have given us the figure of 14 gallons per week of pure Cambus?—I would say the blend is about a half more.

5807. That would be 21 gallons per week?—Yes.

5808. What do you charge for proprietary blends?—For Mitchell's it is 8d., and for Walker's and Dewar's it is 10d. per gill.

5809. What would that be per glass?—4d. and 5d.

5810. Those are more expensive than your own blends?—Yes; proprietary blends are always that.

5811. I see in your proof you say you sell half a gallon of pure malt and about the same quantity of proprietary blends per week. Is that so?—It would be something like that.

5812. Have you any sale for whiskey in bottle?—Yes.

5813. How do you sell it? Under what label do you sell it?—All under the one label.

5814. Would you mind mentioning it?—It is "Fine old Scotch whiskey" on each of them.

5815. Do you know what is the age of this whiskey, or the average age of the whiskey that you sell as "Fine old Scotch whiskey"?—The Cambus is about three years old and the Glen Burgie is something like four years old.

5816. And that you sell under the label of "Fine old Scotch whiskey"?—Yes.

5817. What is the minimum age of the whiskey you sell generally?—It is never anything younger than about two years of age.

5818. Does that refer to the Cambus whiskey only, or to the Cambus and the pot still?—To either.

5819. What is the price per bottle of the Cambus whiskey?—2s. 6d.

5820. What is the price of your blend?—3s.

5821. And what is the price of the Glen Burgie malt?—4s.

5822. (*Dr. Horace T. Brown.*) What are the strengths?—20 under proof.

5823. Are they all of the same strength?—Yes; from 20 to 22 under proof.

5824. (*Dr. Adeney.*) How were you employed before you started business on your own account?—I was employed as a salesman.

5825. Under different proprietors?—Yes.

5826. What was your experience in those occupations?—Something similar to what I do myself.

5827. They sold pure grain whiskey and a blend?—Yes; in fact, the blend that I use is one of my former employers'.

5828. In all cases of these blends the larger proportion was grain whiskey?—That is so.

5829. In about the proportions that you have just told us?—Yes.

5830. That was all sold over the counter and bought as Scotch whiskey?—That is so.

5831. Was it known by those customers as a blend?—Yes; because they often asked for "A glass of the blend."

5832. Did they mean by that pot and patent still?—That is so.

5833. (*Mr. J. Y. Buchanan.*) Your place of business is in Pollockshaws, in Glasgow?—No; in the Pollockshaws-road.

5834. Is not that in Pollockshaws?—No; Pollockshaws is a borough.

5835. Is it near the river?—It is about three miles from the Clyde; it is in the Queen's Park district.

5836. I suppose your customers are mostly employed in manufactories?—There are no manufactories out my way; it is a residential district.

5837. Your mentioning Pollockshaws rather misled me as to the character of the neighbourhood. I was under the impression that you lived at Pollockshaws. How would you describe your customers generally?—It is a working district.

5838. Are they all workmen?—Yes.

5839. There is no particular trade there, is there?—It is just the ordinary public-house.

5840. But I mean the trade of the workmen. Is there any particular trade principally represented in the neighbourhood?—No; it is just a mixed class.

5841. Do you notice any difference in the taste of your customers in regard to the trade?—Yes, some prefer Cambus whiskey, and some like the blend.

5842. Do you identify the taste with any particular trade? Have you noticed that men in different trades prefer different kinds of whiskey?—No. I have a gentleman staying in Pollockshields, and he always has Cambus, and never drinks anything else. Even when he goes out fishing he prefers it to a blend or malt.

5843. We had it in evidence that one witness had apparently noticed that workmen in sedentary trades, like tailors and shoemakers, rather prefer the milder whiskey. Have you observed anything of that kind?—No. Take, for instance, that particular gentleman that I have just mentioned; he likes Cambus whiskey better than a blend.

5844. In your experience, which goes over 25 years, have you noticed much change in the character of the whiskey that the customers demand?—No.

5845. When you began, what was the demand?—Just the same as it is to-day.

5846. You used then as much Cambus or patent still whiskey as you do now?—The very same. I do not know that there is a bit of difference.

5847. So that it has been a steady trade during all the time that you have known it?—Yes, I should say so.

5848. I gather from the figures that you have given us that your weekly sale of Cambus pure is 14 gallons, and your blend about 21 gallons?—Yes.

5849. Your blend contains 80 per cent. of Cambus. That would make your weekly sale of Cambus about 31 gallons, including what is in the blend?—Yes.

5850. Of the other whiskey, you would sell at the outside five or six gallons in the week?—Yes.

5851. So that the trade, so far as you are concerned, is principally Cambus or patent still whiskey?—That is so.

5852. And that you consider has been the case at least for the 25 years that you have been engaged in the trade?—That is so.

5853. Then there is another point that I should like to ask you about. As you know, in Scotland we use the word "spirits" quite commonly to mean whiskey?—That is so.

5854. And it is often considered a rather more delicate way of putting it. You ask a person to take a glass of spirits instead of simply whiskey. Is not that the case?—Very often.

5855. There would be no distinction?—No.

5856. Supposing a person asked for a glass of spirits and you gave him a glass of pure pot still malt whiskey, would he complain that you were giving him a thing that you had no right to suppose that he meant that when he used the word "spirits"?—No.

5857. That would be recognised as what he wanted, that if he asked for spirits he meant to get whiskey?—If a customer came in he would say "Give me a best special," or he would say, "Give me a glass of Cambus."

5858. But you would never suppose that he meant by spirits any other spirits than whiskey?—No.

5859. Of course, you cannot remember the time before the patent still whiskey was made?—No.

5860. I suppose the term "spirits" is the older term of the two, "spirits" and "whiskey"?—That is so.

5861. And people, when they could get nothing but pot still whiskey, would ask for spirits?—That is a very common expression in public-houses in Glasgow.

5862. And I fancy in Scotland generally?—Yes.

5863. And as far as my experience goes, and it goes back a long time, the use of the word "spirits" is quite common?—That is so.

5864. It is used very often as a euphemism in order not to use the word "whiskey," which is sometimes considered vulgar?—Very often.

5865. You say that none of your whiskey goes out under three years?—That is so.

5866. Would it pay you, knowing your customers as you do, to supply them with younger whiskey than that?—I do not care for using any younger than that.

5867. Do you think the customers would notice a difference in effect?—I could not say they would; I do not think the general public would know.

5868. They would not know?—I do not think so.

5869. Can you give any idea of the limit of age which would correspond to the knowledge of the public—that is to say, how young would a whiskey have to be before a customer would object to it as being too young?—I would say if it was comparatively new.

5870. But what would you call comparatively new?—Well, say new distilled—say about three months old.

5871. You think they would notice that?—Yes, I think they would.

5872. But when it came to be a year old what do you say?—After a year I do not think they would notice much difference between that and two years old.

5873. But if it were a pot still whiskey or pure malt whiskey without any blend?—It is very pronounced at that time.

5874. Would they call that too young?—I do not think they would care for it. I am speaking of Highland malt unblended.

5875. What would you put as the youngest malt whiskey that they would, if I may say so, spot as being too young?—I would say from two to three years old.

5876. As to patent, would they drink anything under two years?—Yes, I fancy they would. I may say from about nine months to a year.

5877. They would not object to drink a patent still whiskey much younger than a malt whiskey?—No, because it is milder.

5878. Is the effect of age on the malt whiskey to make it milder?—Yes, both go that way.

5879. So that the patent still whiskey approaches the drinkable stage much sooner than the malt whiskey does?—Yes, that is my idea.

5880. Is it the practice of your customers to discriminate?—Yes.

5881. (*Dr. Bradford.*) Have you observed any difference in the effects of the patent still and the pot still on the drinker?—There is very little pot still used singly.

5882. Anyhow you have not noticed any very strikingly bad results from the other?—No.

5883. You are satisfied that the patent still spirit improves and matures by keeping?—Yes; both do that.

5884. You are quite satisfied that the patent still improves by keeping?—That is so.

5885. (*Chairman.*) You told us that you sell the pure, that is unblended Cambus, at 2s. 6d. per bottle?—That is so.

5886. And pure malt at 4s.?—That is so.

5887. Of course, that is a very great difference in price. Could you tell us, taking a quart bottle, what ought to be the differential charges per glass? You know how many glasses a quart bottle would hold?—Yes.

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5888. What ought to be the relative charges if a man goes into a public-house and wants a glass of whiskey—one a glass of Cambus, and the other a glass of pure malt—what ought to be the differential charges?—I charge 3d. for the one, and 5d. for the other, per glass.

5889. The man who charges the same price for both, and happens by accident to charge the higher price for both, would get the best of it?—I do not quite follow you.

5890. You charge 3d. for one, and 5d. for the other?—Yes.

5891. Suppose there is a public-house where they have both classes of whiskey, and a man asks for a glass of whiskey, and the publican gives him the cheaper class, and then charges him the same price as if he were giving him the higher class ——.—We do not do that.

5892. Of course you do not, and I am not saying that you do; but what I am putting to you is that that affords an opportunity for a publican to make a large profit. You will have to say yes to that question in a moment?—I do not quite follow what you mean.

5893. I will put it again. There are two classes of whiskey in a man's house, one that he ought to sell at 3d., and the other that he ought to sell at 5d. A man goes in and says: "Give me a glass of whiskey," and the publican gives him what he likes, and charges him what he likes?—We do not do that.

5894. I am not saying that you do; but that affords a great opportunity for making profit?—But in Scotland when a man comes in for malt whiskey he asks for malt whiskey.

5895. I am putting not what occurs in Scotland, or anywhere else. If a man goes into a public-house and says, "I want a glass of whiskey"?—Then we ask him what class of whiskey he wants.

5896. You may or may not?—But we generally do that.

5897. I am not for the moment referring to you, but I am putting a hypothetical case of what might occur. Do you not think if that was done that it surely ought to be checked in some way?—In my shop we do not do that.

5898. I will not ask you any more. I have been saying that you do not do that; and I was putting it hypothetically?—So I understand, but I do not understand your point.

5899. However, it is immaterial, as I think it speaks for itself.

5900. (*Dr. Adeney.*) Have you any knowledge of the practice in England as to the sale of whiskey?—No.

5901. None whatever?—None whatever.

5902. You cannot tell us whether the public would know as clearly as the Scotch public would know?—No; I would not enter into that at all.

5903. (*Dr. G. S. Buchanan.*) You have no hesitation yourself in telling malt whiskey from grain whiskey?—There is a big difference in taste.

5904. There is no confusion in the trade between grain whiskey and other whiskies?—No.

The witness withdrew.

Mr. J. Yule.

Mr. JOHN YULE, called.

5905. (*Mr. J. Y. Buchanan.*) You are a partner of Messrs. William Yule and Son?—Yes.

5906. They are wholesale grocers and wine merchants, of Kirkcaldy?—Yes.

5907. I think they have been in Kirkcaldy for over 40 years?—Yes.

5908. How long have you been associated with the firm?—For over 18 years, and I have been for eight years a partner.

5909. Did you begin at the beginning?—Yes.

5910. So that you know the business as it is very thoroughly?—Yes; I know it all.

5911. What is the trade that your firm particularly do?—We call on all publicans and licensed grocers, and sell them liquor; we also sell groceries and provisions to grocers; but our principal trade is the liquor trade.

5912. You are wholesale grocers as well?—Yes.

5913. Have you any retail trade?—We have one retail place, too.

5914. That is separate?—Yes.

5915. Is that a public-house?—No.

5916. That is only for groceries?—It is for consumption off the premises only.

5917. You travel amongst your customers?—I am in touch with all my customers, and call upon them regularly.

5918. I suppose the customers do not buy direct from the distillery?—No.

5919. Do they always buy entirely from you?—Not necessarily. They may occasionally buy in other ways, either from the distillers, or the blenders.

5920. Is there anything to prevent them buying direct from the distillers if they choose to?—Nothing as far as I know.

5921. Do you believe that you supply to those customers the greater part of the whiskey that they sell?—I would scarcely say we get the greater part of the trade in all cases. Some of them give us the bulk of the trade, and others give us just a share with other wine merchants who call.

5922. They are perfectly free?—Entirely free.

5923. And they give you their custom if they are satisfied with the article you supply and the price you charge?—Yes; that is the only reason they deal with us.

5924. So that there is perfect freedom of trade between you?—Yes; entire freedom.

5925. What whiskies do you supply yourself with, in order to supply your customers?—We handle six to a dozen Highland malts, two or three Lowland malts, and sometimes five or six grain whiskies.

5926. I see that you name in your *précis* the grain whiskies Cameron Bridge, North British, Cambus, and Caledonian?—Yes.

5927. Which of these are made in Fife?—Cameron Bridge.

5928. Cambus?—No; that is made up at Alloa, in Clackmannanshire.

5929. That is not very far from Fife?—Not very far from Fife.

5930. (*Chairman.*) Is Cambus near Alloa?—Yes.

5931. (*Mr. J. Y. Buchanan.*) What kind of proportion of patent still whiskey and malt whiskey do you handle in your trade?—Do you mean in my blends?

5932. In your supply. You buy whiskey and supply whiskey to publicans?—Yes.

5933. What proportion—if you feel inclined please tell us—does the malt whiskey bear to the grain or patent still?—I would say 10 per cent. only.

5934. And 90 per cent. of grain?—Yes.

5935. Do the people in Fife and that district have a preference for one kind of whiskey over the other?—They have a preference for either grain whiskey, or a blend largely composed of grain. They like it very mild, in fact.

5936. Do they prefer much of the pure malt?—Very seldom.

5937. Do you think there is a dislike to it?—Yes.

5938. Do you attribute that in any way to their occupation?—Not in the least.

5939. Do you suppose that it has to do with the great amount of patent still whiskey being produced in the neighbourhood?—We have three malt distilleries in Fife, and only one grain distillery.

5940. What is the proportion?—I would say the grain distillery turns out a long way more than the malts put together do.

5941. What is the name of the malt distilleries?—Burntisland, Auchtertool, and Auchtermuchty.

5942. Are they all well known?—Yes; they are all old-established and well-known distilleries.

5943. And have a considerable circulation?—Yes; there are none of them have big out-puts; but still, they are similar to what you find in the Glen Livet district.

5944. You tell us that 19 out of 20 sell pure grain whiskey?—They all keep it, and sell blends largely composed of grain whiskey.

5945. Do your customers simply ask for whiskey, generally?—Do you mean the retail customers?

5946. Yes?—We do not sell to the public.

5947. You do not sell retail; but do they usually ask for whiskey?—Yes.

5948. Or spirits?—No; it is usually, or always, whiskey in the trade.

5949. In the trade; but I am asking you as to the people?—You very seldom hear them ask for spirits now, unless it is some old person.

5950. Asking for spirits is going out?—Yes; nowadays it is whiskey that is asked for.

5951. You are aware that at one time it was very common?—Yes, with oldish people.

5952. In your trade they specify whiskey when they are asking you for patent still whiskey?—Decidedly.

5953. In supplying patent still to a customer the customer demands whiskey, and not spirit?—They never ask for patent still whiskey. I do not think they know the name of "patent still."

5954. (*Chairman.*) If the customer asked for whiskey, does that mean patent whiskey or pot whiskey?—If they ask for whiskey we give them either blend, or a grain whiskey.

5955. Why do you not give them pot whiskey?—Because I know it would not please them.

5956. And it is a little more expensive?—It is not for that reason, because we get grain whiskies as expensive as pot whiskies.

5957. But, taking the average, pot whiskey is more expensive?—A little more expensive, perhaps; but we want to retain their custom, and give them the whiskey they prefer.

5958. (*Mr. J. Y. Buchanan.*) When they ask for whiskey in the trade, you would supply either grain whiskey or your blend?—We would give them a blend, as a rule.

5959. How much would that contain of grain, as a rule?—The blend we sell principally is about one part of malt to seven of patent. That is the blend we do the largest trade in.

5960. In your *précis* you say that your blends vary up to 90 per cent. and 95 per cent. of grain, and some blends are 60 per cent. to 70 per cent. of malt and other blends?—Yes.

5961. Is there much of that sold?—No; the customers prefer the milder blends.

5962. Do you export any whiskey—for instance, to England?—Yes; a little to London.

5963. Is the principal part of your business in Fife?—Yes.

5964. How long do you think you require to keep the grain whiskey—the patent still whiskey—before you could use it to supply to your customers?—I believe in grain whiskey being at least two years old.

5965. And the malt whiskey how long?—Some of them require a good long time. I do not think there are many malts that are fit for drinking under five years—at least, Highland malts.

5966. How much does that add to the price of the whiskey, comparatively?—Just now it does not add very much, because you can buy Highland malts pretty cheap with age on them.

5967. That is because they were over-supplied some time ago, when the boom was on?—Yes; and because the demand is not very large for the malts. You can buy five-year-old Highland malts almost at the same price as new in the open market just now.

5968. That is an accidental state of affairs?—It has been working up for a year or two.

5969. Do you expect that to work itself off in time?—I hope so.

5970. (*Mr. Guillemard.*) Is that from overstocking?—Yes, to a certain extent, and because the demand has gone off for these whiskies.

5971. (*Mr. J. Y. Buchanan.*) Is there the same overstocking in grain whiskey?—There is an overstocking of certain years away back in 1898 and 1899, but when you come past 1901 there are not such big stocks.

5972. I suppose the old grain whiskies at present are pretty cheap?—Old grain whiskies have risen a good deal in value, and you cannot buy them on the same basis as you can buy Highland malts. You have to pay a considerable advance to get them.

5973. I suppose it is expected that they will go off quicker than the malts?—What do you mean by "go off"?

5974. That the supply of the old grain whiskey, which is due to the over-production of a matter of 10 years ago, during the boom, will find a market sooner than the old Highland malts?—I think so.

5975. That you attribute to the taste of the people?—I do.

5976. (*Dr. Cushny.*) When a customer comes in and asks for a glass of whiskey do you give him grain?—We do not sell for consumption on the premises in that way.

5977. You sell to retailers?—Yes, in bottles for carrying away.

5978. (*Dr. Bradford.*) You said that the bulk of publicans in Fife sell pure grain whiskey?—They all get it.

5979. And the major sale is in that? That is what they sell principally?—I am quite certain the major sale is in grain whiskey or grain with a very little malt in it.

5980. Do you think that is peculiar to Fife, or do you think it is general in Scotland?—If you go up to some of the Highland districts near the Highland distilleries they ask for the local whiskey, but I think the tendency in Scotland is working towards that. I think the blending has been carried to such a good state that the public prefer blends.

5981. You do not think that Fifeshire is at all exceptional?—I would say that Fifeshire, perhaps, is as much in favour of grain whiskies as any county. I would not say it is an average county, but I would say, perhaps, that it is rather more in favour of grain.

5982. (*Dr. Cushny.*) When another whiskey than this blend is wanted, what is asked for? Is it asked for as whiskey?—It is always asked for as whiskey.

5983. How do you distinguish between the two?—Some of them ask for Highland whiskey, and in that case we give them a blend composed largely of malts.

5984. But you never give them a pure malt?—Not unless they distinctly ask for a pure malt, which is a very rare occurrence.

5985. (*Dr. Bradford.*) You would not give them a pure malt if they asked for a Highland whiskey?—No, we would give them our Highland blend.

5986. (*Dr. Horace T. Brown.*) You say there is a surplus stock at the present time of Highland malts. Is that true, also, of Lowland malts?—Yes.

5987. Do you use Lowland malts?—We do.

5988. Can you tell me what is the present difference in price between a patent whiskey at two years old and a Lowland malt, say, at five years old?—You pay for patent whiskey, Cameron Bridge or Cambus, just now, between two and three years old, about 1s. 10d. a gallon.

5989. That is at proof?—At proof.

5990. What do you pay for the Lowland malt at five years old?—Do you mean at five years old or at

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the same age? The grain whiskey that I quoted to you was between two and three years old. Do you wish the Lowland malt at five years old or at two or three years old.

5991. I want you to give it to me at five years old. That is the period at which you prefer to use it?—Yes. I would say a Lowland malt about five years old you might buy at about 2s. 6d. to 3s.

5992. Also at proof?—Yes, also at proof.

5993. (*Dr. G. S. Buchanan.*) It is not uncommon in Scotland to drink whiskey neat, is it?—It is done still, but not so much, I think, now.

5994. What kind of whiskey does the neat whiskey drinker generally drink?—I really could not say. I do not see much of it done.

5995. Will you just elaborate a little your objection to a new patent still whiskey. You do not personally like a new whiskey?—No. With time it mellows down a good deal, it matures and gets softer.

5996. The new whiskey is harsh?—Yes.

5997. Harsh to the taste?—I would say it is sharper.

5998. More pungent?—Yes.

5999. Are there any other objections to it? Suppose you were trying to formulate your objections and put down what you dislike about new patent still whiskey, what would you say?—I think I can sum it up very much by saying that an old whiskey is mellower, more delicate in flavour, and softer.

6000. It is of much better value?—I think so distinctly.

6001. Can you say anything about its intoxicating effects or its irritating effects? Do you ever hear that new whiskey makes people heavy or irritable?—I think it depends greatly on the condition of the drinker. If a man is in good condition I would say that he could stand a very much rougher whiskey than otherwise.

6002. You told us about the old grain whiskies being at the present time very high in price. Is not one reason for that that at one time some years ago it was not thought worth while to stock grain whiskies?—I do not know. We have always maintained our stock and we have never departed from the policy of keeping so many years working stock.

6003. You spoke of the preference of the public in Fife for very mild whiskey—grain whiskey. You ordinarily describe grain whiskey as a mild whiskey, do you not?—Yes.

6004. That is the cheapest whiskey?—Well, you pay as high a price for certain grains. We work the older grains at as much as we would pay for old Highland malts.

6005. But I mean the whiskey that you have a large sale of among the working classes?—That certainly works out cheaper than if we gave them malt, and we would consider it equally good.

6006. Do you think they can drink it with less water?—No, I do not think so.

6007. Does the sale of grain whiskey under those conditions pay you better than the blends?—No. Selling to the trade we work on a certain percentage of profit to carry on our business, and we put the same percentage of profit on in selling a blend as we would in selling a grain. The same thing applies to selling a malt.

6008. With regard to those blends containing one-seventh of pot still whiskey, do you consider that the one-seventh adds materially to the flavour of the whiskey or alters the character of a whiskey very much?—Yes, it gives it an individuality of its own and makes it distinct from other dealers' blends.

6009. And it enables you to charge a higher price for it?—It costs us more and we charge a shade more proportionately.

6010. (*Dr. Adeney.*) You said just now that as far as the effect of new whiskey on the consumer was concerned, it depended very much on the condition of the consumer?—Yes.

6011. In other words he must be in very good health to stand it. Do I understand that that is a fair inference from your answer?—I think if a consumer was not in good condition and was drinking a new malt whiskey the chances are it would sicken him and upset him.

6012. What do you mean by new whiskey?—Raw.

6013. Supposing a doctor asked you to supply a patient of his with whiskey, what would you supply?—I would give him a blend.

6014. Would you take any care as to the age of the constituents of the blend?—All doctors when they recommend whiskey in our district tell their buyer to be sure to get it old. They say: "Go where you can rely upon getting it old." The public are naturally led to think that old whiskey is better than new. If a customer came and said that he wanted a special whiskey, and that the doctor had recommended him to get something old we would give him something old, and charge him a little more for it.

6015. Do you think yourself there is anything in aged whiskey?—I have heard it so often that I naturally believe it.

6016. Do you believe in your own mind that you could detect the difference?—Yes, I would almost say that I could tell the difference between an old whiskey and a new whiskey if I saw them.

6017. Could you tell from its effect upon yourself?—I have never experimented with new whiskey.

6018. You always drink old whiskey?—I prefer to do so.

6019. You gave Dr. Brown a price for patent still of 1s. 10d. a gallon, I think, and I think you said that that was two or three years old?—Yes, that is buying a big parcel. Small buyers could not get it at that price.

6020. And for Lowland malt I think you said of five years old the price would be 2s. 8d.?—Yes, from 2s. 6d. to 3s.

6021. Would that be the highest quality of Lowland malt?—Yes.

6022. You also told us that there were some Highland malts which you could get cheaper than some of the older grain whiskey at the present moment?—That is so.

6023. Do you refer to the best qualities of Highland malts?—There are one or two Highland malts that always get a good price. They have got a name where people are asked for pure pot still malt whiskey, and the others run on these names. These that I am speaking of can command a bigger price.

6024. You have no knowledge of Irish whiskey?—No, I scarcely handle it.

6025. (*Chairman.*) Of course, you as a supplier to the retailer do not come immediately in contact with the public taste and the public demand?—No.

6026. Do the purchasers from you, that is, the retailers, tell you what class of blend they require, or do they leave that to you?—If the retailer is a new man to the trade, a new man starting in business, he might leave it to me; and another customer again would say: "Let me see a few of your samples; show me what you are offering"; and we would supply a few samples and blends, and if one appealed to him he would choose it.

6027. After a time the retailer begins to know what his customers want?—Yes. I know pretty well myself what they want in the district.

6028. In the district of Fife?—Yes.

6029. You consult with him as to the best blend to supply?—Yes.

6030. Then, of course, he would agree or differ according to his knowledge?—That is so.

6031. What is the greatest amount you supply of any particular blend? Which is the most popular of your blends—I mean to say, what is the proportion of them?—I would say the one I mentioned of 1 to 7.

6032. That is the general one?—Yes, the principal one.

6033. Has there been any alteration, do you think, of late years in the public taste as regards a softer whiskey, or a more pungent whiskey?—I think the tendency is quite towards a softer whiskey.

6034. That has been going on, has it?—Yes.

6035. You could only produce that, I suppose, by supplying patent still whiskey for the purpose of blending?—Yes. By using patent still whiskey you

can give a softer Highland whiskey—you can afford to get an older Highland whiskey, one which is softer than a new one.

6036. I am putting this question hypothetically to you. Supposing you were told to operate upon a pot still whiskey, could you produce the milder whiskey without blending?—I am not a distiller, my lord.

6037. But you have great experience in the blending of whiskey?—Yes, but I could not answer that question.

The witness withdrew.

Mr. Alfred Edwin Harris, called.

6038. (*Dr. G. S. Buchanan.*) You are the Medical Officer of Health for the Metropolitan Borough of Islington?—Yes. I have been Medical Officer of Health for the last 16 years, and prior to that I was Medical Officer of Health to the County Borough of Sunderland for 11 years; so that altogether I have been a Medical Officer of Health for 27 years.

6039. Islington is the most populous borough in London, I think?—Yes, it contains 340,000 people.

6040. What has been your relation with the administration of the Foods and Drugs Acts in those districts?—It has been my duty during the time I have been Medical Officer of Health to direct the samples that were to be taken for analysis by the inspectors under those Acts, so that it was not left to the inspectors to take such samples as they liked, but at the same time they were left the discretion as to where they were to purchase them.

6041. That is not universal, but it is generally a very convenient arrangement?—Yes.

6042. The Medical Officer of Health is an officer who has power to take samples?—Yes.

6043. He is also the officer who is responsible for the sanitary inspectors who, in a borough, are the inspectors who customarily take samples, and these inspectors being in his department, he naturally becomes the administrative officer who is responsible for advising as to these Acts, notwithstanding the fact that in many cases the questions concerned are not directly public health questions?—That is so.

6044. You mention in your *précis* the classes of offences which are dealt with under the Acts?—Yes. There are four classes of offences; first, the addition of injurious ingredients to food, such as sulphate of copper to peas and other tinned vegetables; secondly, the addition of ingredients to food which fraudulently increases its bulk, such as the addition of water to milk; thirdly, the substitution of one article for another, such as margarine for butter, or beetroot sugar, known in the grocery trade as yellow crystals, for Demerara sugar; fourthly, and this seems a very curious phase in the law, the selling of a better article than that demanded for an inferior one, namely, the sale of margarine containing more than 10 per cent. of butter for margarine as enacted by the Act of 1889, Section 8.

6045. But that is a single instance which is quite exceptional. The object of that case is not so much to prevent the sale of a better article than that demanded, as to keep the articles distinct?—Yes, possibly to draw a broad line between butter and margarine. I think that it is done in the farming interest, a sort of protection, I think.

6046. In Islington you have enforced the adulteration Acts rather energetically, have you not?—Yes.

6047. And especially when your last Council was in office?—Yes, especially during the last Council.

6048. You mention that a good deal of work has been done in connection with milk in Islington for which you may take special credit, and I think that may be conceded. Then, with regard to the brandy, which perhaps concerns us more closely?—We took proceedings respecting the sales of spurious brandy in 1904, and in these we were successful. I think these prosecutions may safely be said to have led up to the whiskey prosecutions, because in dealing with the brandy prosecutions we found that grain spirit—silent spirit—was used to adulterate brandy, and also whiskey and rum.

6049. The brandy prosecutions I think you refer to later on in your *précis*, do you not?—Yes.

6050. You might tell us here whether, in the brandy prosecutions, it was admitted or proved to be grain spirit that was added to the brandy?—It was silent spirit, at all events, but I am not prepared to say at the moment that it was grain spirit. I do not think at that moment we were thinking very much of the difference that has been made since between silent spirit and patent still spirit.

6051. You did not realise that it might have been whiskey?—I do not think we thought that those fine distinctions would ultimately be made, or at all events they were not made in the proceedings before the 1890 and 1891 Committee.

6052-3. You have given us, in your *précis*, some of the reasons which induced you to advise your Council on the subject of the whiskey prosecutions, and which led your Council to adopt your advice. That would be in 1905, would it not?—Yes.

6054. What you are going to tell us, I take it, represents the processes that you went through in 1905?—Yes.

6055. Some of them, of course, are now familiar to the Commission, and some perhaps you yourself would modify if you had heard the recent evidence here, but I think we take them on that basis briefly. Your first point I notice is as regards the opinion of the members of the Council, or the desire of the members of the Council that whiskey should be examined and sampled?—Yes. There was a considerable labour element on the borough council at that time, and they frequently complained to me that the whiskey sold to the labouring classes in London was poison; that means that it was very bad, that its effect was maddening, and caused much drunkenness, and they asked that, if possible, something should be done to stop its sale. Just about the time that they had been urging me in this way it came to my knowledge that so-called whiskey was being offered to publicans in the Borough of Islington at 10d. per gallon; consequently it seemed not improbable that the statements made to me were true, and that the sale of such spirits of that class might be prejudicial to the public health of the borough. I was also informed by one of my inspectors that some time previous to this he was present in a public-house in Islington when a traveller called on the landlord and offered him a German spirit at 10d. a gallon, and at the same time he offered to sell him certain chemical colouring matter and flavourings to be added to the spirit so that he might sell it either as Scotch whiskey or Irish whiskey as required.

6056. Have you any reason to suppose that German spirit, as such, would be any worse, so far as public health is concerned, than other forms of alcohol?—I do not think there is any proof that German spirit, as a spirit, is any worse than other rectified spirit. German spirit is largely used in this country in its pure rectified state.

6057. Then the brandy prosecutions had some influence on your action in the case as to whiskey, had they not?—Yes. During the brandy prosecutions I had to read the evidence and report of the Select Committee of 1891 on British and Foreign Spirits, and there I gathered that patent grain spirit was used to adulterate brandy, whiskey and rum, and it seemed to me that a spirit could not change its character when it was added to these three different things; that it could not become rum when it was put into rum, that it could not become brandy when it was put into brandy, and it could not become whiskey when it was put into whiskey.

6058. And you understood at that time, at any rate, that the spirit that was used was practically identical for all these purposes?—Yes, for all these purposes.

6059. You at that time looked at the advertisements in the trade journals?—Yes.

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6060. In order to inform yourself?—Yes; and I noticed there was one particularly, which appeared regularly from the Distillers' Company of Edinburgh, who are the largest distillers of patent still grain spirits in the kingdom, and who practically control the trade, as I understand. I think that came out very forcibly in the evidence at the trials at North London and Clerkenwell.

6061. They differentiated between whiskey and patent spirit?—Yes; they differentiated between whiskey and patent spirit.

6062. I think you forwarded to us a copy of the advertisement?—Yes. The advertisement has already been alluded to, by Mr. Bramall, I think. But I would like to emphasise this advertisement, because it undoubtedly had a very considerable influence on my mind, and, I think, on Mr. Bramall's mind, in instituting these proceedings. I do not say that it was altogether the cause, but it was one of the causes, decidedly. Here we get the largest distilling company in the kingdom advertising for years in the wine and spirit trade journals that they were distillers of patent grain spirit at eight different distilleries in Scotland and in Ireland. They, having drawn attention to the fact, go on to call attention to the fact that they are also distillers of Scotch pot still whiskey, and that they are distillers at certain places. They are described as distillers of Scotch pot still whiskey at two distilleries; then, apparently, they appear as distillers of Scotch malt whiskey, and then they are described as distillers of another whiskey at West Lothian. Then there is another distillery where they distil the finest Highland malt whiskey, and then there is finally an Irish whiskey which they distil, as to which they say they distil the finest Dublin whiskey at Phœnix Park Distillery. It seemed to me and others who had seen these advertisements that there was a strong dividing line between the two spirits. Here the people who made this spirit described it as a grain spirit, and differentiated very strongly between it and whiskey, which they also manufactured. I would like to put in that advertisement. I might say—as it might lead the Commission to inquire into it—that since then I have seen some advertisements in the "Diary of the Chemist and Druggist" for 1906, and that I notice in these advertisements that some distillers at Chelsea, who are methylators, profess to supply Red Cross whiskey, Red Cross Scotch whiskey and Red Cross Irish whiskey. Then there is an advertisement of another methylated spirit distiller at Manchester who again professes to supply pure old liqueur Scotch whiskey.

6063 You hand in those advertisements for whatever information they will give us?—Yes. I hand them in because they decidedly seem to point to the fact that these people who make spirits of some kind in England are also makers of whiskey, which they are selling as either Scotch whiskey or as Irish whiskey, and at all events it is a matter well worthy the attention of the Commission, and possibly worthy of inquiry.

6064. You put these advertisements forward on that basis?—Yes; I put them forward on that basis. I know nothing about them. (*The advertisements were handed in to the Commission.*)

6065. If, in fact, there was not much difference between the products of the patent still at such distilleries as you mention and the products of the patent still distilleries in Scotland and Ireland, and such patent still spirit in any case was blended or mixed with the same amount of pot still spirit, you would get an identical article?—Certainly you would get an identical article, and the claim of the Scotch grain distillers to having their whiskey called Scotch whiskey, I think, would very considerably fail.

6066. (*Chairman.*) What is the date of these advertisements?—The advertisement that your Lordship has is a subsequent one. It was admitted in evidence that it had been running on for ten years, and a very curious circumstance arose in Court in connection with it.

6067. The advertisement had been running on for ten years before the hearing of the trial at Islington? Yes. It was admitted that the advertisement had been running on for ten years, and a very curious circumstance arose with respect to it. Mr. Wallace, of the Distillers' Company, was cross-examined on that advertisement because he would not admit that grain spirit was not whiskey. It was pointed out to him that on their own showing they differentiated between them; that advertisement was shown to him, and the only explanation he could give of that advertisement having been allowed to be put into the paper was that it was owing to the mistake of a clerk. Of course the explanation seemed too absurd that the reason why an advertisement like that had been running for so long was through the mistake of a clerk.

6068. We have the proceedings before us?—Yes, I looked that up.

6069. We will not trouble you to go over it again?—I have a copy of all the evidence.

6070. So have we, and therefore we will not trouble you to go into it.

6071. (*Dr. G. S. Buchanan.*) You refer also to the fact that there was some evidence given by Mr. J. P. Currie, who appeared on behalf of the London distillers before the Select Committee, and that his evidence was also an important factor in deciding you to advise your Council to come to the conclusion to take these proceedings?—Yes.

6072. The evidence is available to us?—Yes. It is from 2819 to 2829 of the 1891 Report.

6073. You make a further reference on page 8 of your *précis* to this Report of the Select Committee with regard to the use of the word "blending"?—Yes. I must confess that until the whiskey trial the fact that the word "blending" was used to mean the mixing of two different spirits was new to me, because I, like everybody else, I think, concerned in the trial, always thought that blending meant the mixing of two similar spirits such as two different ports or two different things of the same denomination.

6074. (*Mr. Guillemard.*) But still the Committee of 1890-1 took a different view?—I do not recollect now. I had always known from my youth, of course, that as regards whiskey the blending of whiskey meant the blending of pot still spirits as I had known them in the South of Ireland, and I had seen a good deal of blending at that time.

6075. Do you take the line, for, if so, it would be well to get it direct, that the description in the 1890-1 Committee was not justified, or is it merely that it disagrees with the view you held previously?—So far as my knowledge went of the South of Ireland I did not agree with it.

6076. You think this is a wrong statement?—I think it is an incorrect statement; I will not say it is a wrong statement. That was from my own knowledge of what went on in the South of Ireland.

6077. (*Dr. G. S. Buchanan.*) Your view is that you do not consider that a spirit being made by a different process and from an entirely different grain, that is to say, maize, as being practically flavourless, could be either Scotch or Irish whiskey?—That is so, and I thought particularly so, as London spirits seemed to me to be very much the same as the Scotch and Irish grain spirit so far as I could ascertain.

6078. And also as it could be distilled in other parts of England?—Yes, and in the United States, and in Europe.

6079. Then you made some inquiries as to price, did you not?—Yes; I ascertained that the cost of the two spirits was very different, that of the patent still spirits being about 1s. 3d. per proof gallon, while absolutely new pot still cost from 2s. 4d. to 4s. and upwards at proof; 2s. 4d. is the lowest I could possibly ascertain. I have looked out these prices very carefully.

6080. You considered from those prices that there was a direct incentive to mix the cheaper spirit with the dearer spirit?—That is so, and I know from my knowledge in dealing with foods generally that when a mixture is palmed off on the public it is always found that the article used as an adulterant is cheaper than the article that is to be adulterated. In fact, in the trade you will find here they speak of cheapeners, and this has latterly been very much so in the case of jams, where they have been using cheap articles instead of sugar.

6081. That is not an uncommon thing under the Food and Drugs Act in your experience, is it?—No, it is a very usual experience.

6082. (*Mr. J. Y. Buchanan.*) Before making examinations did you expect to find the reverse?—We never know. We take samples everywhere.

6083. But I mean this; did you expect tradesmen to adulterate commodities with things that cost more than the real article?—I did not expect to find them adulterating with things that cost more than the real article; but when they profess to supply as good an article ——

6084. Or even would you expect to find them adulterating with things that cost the same price?—No, you would not always expect that.

6085. Or at all. Would you expect a tradesman to subsist or to go bankrupt?—I think he had better go bankrupt than behave dishonestly to the public.

6086. But that kind of dishonesty would not make him bankrupt?—Not necessarily, because the public are very gullible, and they are apt to take things at the value of what they are told they are.

6087. (*Dr. G. S. Buchanan.*) Your point being that if an article alters in its quality you, looking after the Food and Drugs Act administration, look to see whether a cheaper and different article has not been introduced?—Yes.

6088. You tell us you made some inquiries with regard to age?—Yes.

6089. And you came to the conclusion that the use of patent still spirit, or one advantage of patent still spirit to the trader but not perhaps to the public, was that it enabled a new whiskey to be used?—Yes.

6090. And that you were informed that rough malt whiskies were specially made with the object of giving a strong flavour of malt to the product?—Yes, and in support of that there was an advertisement in one of the wine and spirit trade journals. I have here the "Wine and Spirit Gazette" of July 29th, 1905, and the advertisement that I am referring to reads as follows: "Long John's Ben Nevis. (For Power and Flavour.) Covers Grains. Softens Plains." I think that can only have one meaning—namely, that it covers the grain spirit, and it softens the plain spirit—the patent as they call it. I hand in that advertisement. (*The same was handed to the Commission.*)

6091. (*Mr. Guillemard.*) What does "Covers" mean?—That it cloaks the spirit; in other words, it makes the grain spirit resemble pot still spirit.

6092. What is the "plains" as distinguished from "grains," and what is "softens" as distinguished from "covers"? If you are explaining the meaning, and I want to understand what the advertisement means, as at present I do not understand it, will you explain that? I want to find out whether you understand it?—It seems to me the "covers grains" means that it cloaks the taste of the grain spirit—and I think "softens plains" is a sort of elaboration that it makes the whiskey smoother than otherwise.

6093. The "plains" and "grains," according to your interpretation, mean the same thing?—Yes, I think it is meant to be the same thing here, at all events. Ben Nevis Distillery no doubt is a pot still distillery.

6094. (*Chairman.*) Whose advertisement is this?—Macdonald and Sons, distillers, of Fort William.

6095. (*Dr. G. S. Buchanan.*) At any rate you considered that there was something mysterious about it?—Yes, I did.

6096. Having made these preliminary inquiries your Public Health Committee decided in the first place that the Public Analyst should be asked what he could do in the way of distinction by analysis?—Yes.

6097. And subsequently on a report which he presented, and having had solicitor's opinion, they directed that samples of whiskey should be purchased, and that prosecution should follow if addition of plain spirit was reported by the analyst to have been made?—Yes, that is so.

6098. Then you give a list of 15 samples of Scotch and Irish whiskies which were purchased, and submitted to the analyst?—Yes.

6099. He in the end reported that one was genuine Scotch whiskey, that five (three Scotch and two Irish) were unmixed patent still grain spirit, and that nine contained patent still grain spirit in large though varying proportions?—Yes.

6100. It might be convenient if you put in the list?—Yes, I will do so. Altogether 15 samples were at first submitted to the Public Analyst, which he certified as follows:—

3 Scotch whiskies	- -	Entirely patent spirit.
1 Scotch whiskey	- -	70 per cent. „
2 Scotch whiskies	- -	90 „ „
1 Scotch whiskey	- -	60 „ „
1 Scotch whiskey	- -	65 „ „
1 Scotch whiskey	- -	Genuine Scotch whiskey.
2 Irish whiskies	- -	Entirely patent spirit.
1 Irish whiskey	- -	80 per cent. „
1 Irish whiskey	- -	25 „ „
1 Irish whiskey	- -	60 „ „
1 Irish whiskey	- -	70 „ „

Later on five Scotch whiskies were obtained, with the result that the analyst certified as follows:—

1 Scotch whiskey	- -	Entirely patent spirit.
1 Scotch whiskey	- -	90 per cent. „
1 Scotch whiskey	- -	85 „ „
1 Scotch whiskey	- -	60 „ „
1 Scotch whiskey	- -	50 „ „

6101. Then two of these samples you had reason to believe were made in London, had you not?—Yes.

6102. You have no reason to suppose that there was anything specially objectionable in the fact that they were made in London?—No, except that we asked for Scotch whiskey, and did not think that it was Scotch whiskey when it was made in London; and I do not think the Scotch patent grain distillers agree to that themselves. Unfortunately in the particular case referred to a summons was taken out, but a technical objection was taken to it on the ground that it had not been served at the right address, and accordingly it was dismissed on that ground; and we were told by the barrister who was conducting the case for the defence, that there would be no difficulty in getting another sample, and taking another summons out. The inspector was sent away from the Court to go straight to this place, but he went first to the office to get his sealing wax, bottles, and so on, and when he arrived at this public-house he found some of the people who had been in the Court sitting before him. When he asked for the whiskey they all laughed, and he was then handed a bottle of spirit which I have got here. On that there is this label written in ink: "This is sold as a mixture of pot and patent still spirit"; so that we never had an opportunity of taking any proceedings with respect to that sample.

6103. The only special point with regard to this particular case is the fact that the whiskey came from a London firm. It is a very well-known firm, is it not?—Yes, very well known.

6104. Who have a distillery in London?—Yes, they have a distillery in London.

6105. And make a special Scotch whiskey?—Yes, who sell a very large quantity of Scotch whiskey known as "N.S.S."

6106. (*Chairman.*) Was this label that you have been referring to which says "This is sold as a mixture of pot and patent still" put on for the purposes of the trial?—Yes, my lord, on the 27th August, 1906.

6107. Was it put on in consequence of these people going to the public-house and saying what had occurred at the Police Court?—Yes. In the Court we were told, as there was a technical objection taken to the summons, that we could get another sample of this whiskey at any time for analysis.

6108. At any public-house?—No, my lord, at this particular public-house; and accordingly we sent an inspector straight away there to get one, but he first called at the Town Hall to get his sealing wax and seal, and when he got up to the public-house he found that messengers had already gone straight from the Court to warn the publican there that the inspector was coming, and when the inspector asked for the whiskey they laughed at him, because they had pasted this label on the bottle, and, of course, that stopped all proceedings.

6109. What you mean is that when he bought that bottle it had got that label on it?—Yes.

6110. Was there any proof that it had been put on in the interval between the messenger coming and the arrival of the inspector?—When the bottle of whiskey was sold to the inspector the label was pasted on the bottle.

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6111. In the presence of the inspector?—Yes, my lord, in his presence, so that that stopped the prosecution. *This* is a sample of the same whiskey that was made in London. (*The same was handed to the Commission.*)

6112. (*Dr. G. S. Buchanan.*) Do you gather, in the case of this whiskey, that there was a proportion of Scotch whiskey, or whiskey made in Scotland, or a proportion of pot still whiskey added?—There is a proportion of malt in this. There is 60 per cent. of London spirit in it. That is what the analysis showed.

6113. And 40 per cent. of Scotch spirit?—Yes, 40 per cent. of pot still.

6114. If that was so there is a good deal more of the pot still product, which you regard as the important product, than in many of the blends that we hear of?—Yes, that is so. There is no doubt about that.

6115. The fact that the patent still part of it was made in London is common knowledge, is it not? Can you say as to that?—No. I do not think it was common knowledge at all. I know we had the very greatest difficulty in finding out that this whiskey was made in London, or that any spirit was made in London that was sold as whiskey, and it was only by getting at people who were in the distillery, and finding out what was done, that we got any information at all. We could not get any information from publicans.

6116. You have reason to believe, as a matter of fact, that it is made in London?—There can be no doubt about it, and made largely, too.

6117. Surely the distiller would have no hesitation whatever in saying so—he might not if you were prosecuting him, but in ordinary circumstances?—I know they did not like it, and anyhow they did not like the idea of the exposure.

6118. (*Dr. Horace T. Brown.*) It is labelled "Scotch whiskey," and not "malt whiskey"?—It is labelled "N.S.S.," which has been facetiously said to mean, "Never Saw Scotland."

6119. (*Dr. G. S. Buchanan.*) As you have mentioned the brand, which is quite a well-known brand, I think one ought to go a little further. "N.S.S." is made by a firm called Nicholson's, who are a firm of repute as distillers, are they not?—I do not think they are much greater offenders than others in the trade. It is "Nicholson's Special Scotch."

6120. But do they say that on the bottle?—No, but it is well known that that is what it means. You will see in some places "Nicholson's Special Scotch" in the windows.

6121. (*Dr. Horace T. Brown.*) But still the public would not understand that that necessarily meant Scotch whiskey?—I think the people who buy it pretty well understand what it is, and they understand that it is "Special Scotch."

6122. (*Dr. G. S. Buchanan.*) You mean that alongside the selling of this in bottles with this label on, there are advertisements which state that it is Scotch whiskey?—Yes, as far as my memory serves me—that is my recollection.

6123. You are not quite sure?—I have seen so many things that I am not absolutely certain, but I think it is so.

6124. (*Chairman.*) Is the point that is made as to that bottle that it is bad whiskey, or what?

6125. (*Dr. G. S. Buchanan.*) No, my lord. Dr. Harris' point is that it is a whiskey which is represented as a Scotch whiskey which consists, as regards 60 per cent. of it, of a grain whiskey which is made in London. The only objection that is taken to it is that the grain part of it is made in London.

6126. (*Mr. Guillemard.*) Is it represented as Scotch whiskey?

6127. (*Chairman.*) You say that "N.S.S.," translated in full, is "Nicholson's Special Scotch"?—Yes, my lord.

6128. (*Dr. Adeney.*) Have you ever seen that full translation yourself?—I have. I cannot call it to memory for the moment, but I will endeavour to obtain it and put it before the Commission.

6129. (*Mr. J. Y. Buchanan.*) Would not the public look upon that as a trade mark more than anything else, such as two greyhounds, or anything like that?—That it is meant as "Scotch whiskey" I have no doubt in the world, because I was in a restaurant within the last month and heard a man ask for Nicholson's Special Scotch, and he was served out of a similar bottle to this.

6130. (*Mr. Guillemard.*) Did he ask for "Nicholson's Scotch Whiskey" or for "N.S.S."?—No, the man asked for Scotch whiskey and he was served out of a bottle like this.

6131. Surely that does not prove anything?—It only proves that the people who sold it sold it as Scotch whiskey.

6132. Certainly, but what you have to prove is what the people who put the label on the bottle meant by "N.S.S." We have not a word on the bottle to show that it is "Nicholson's Special Scotch"?—I should be glad to give you the necessary information.

6133. If you can produce it it would be very useful?—Yes, I will endeavour to obtain the information for the Commission.

6134. (*Dr. G. S. Buchanan.*) You tell us in your *précis* that in considering this question you read an article on whiskey which appeared on December 26th, 1903, in the "British Medical Journal." That was an unsigned article, was it not, for which the journal takes responsibility?—Yes.

6135. I do not think we need go into the question of the authorship, but you discuss this in your proof?—Yes.

6136. Therefore I think you might tell us what your conclusions were with regard to that article. There is no objection, perhaps, to mentioning the name?—Of course, its whole force practically, or some force, at any rate, goes if the name is not mentioned. In 1903, as a reader of the "British Medical Journal," I had seen this article, and, of course, had forgotten it until the whiskey question came along. Then I looked it up and found it to be a very interesting article on the whiskey question, avowedly written for the purpose of making clear to the medical profession the difference between the two spirits. As the trial was on the *tapis* I was very anxious to obtain the writer of that article as a witness for the prosecution, and accordingly I made an endeavour to find out who he was. Finally I did find out that the writer was Dr. Schidrowitz. At that time I found also that Dr. Schidrowitz was not available because he had been employed for the defence, but nevertheless the article itself had undoubtedly a great influence on my mind in advising the Islington prosecution.

6137. In your *précis* you give us certain extracts from the article?—Yes, and this article differs materially, I think, from the views that Dr. Schidrowitz has advanced recently. In that article he says: "Originally whiskey (or at any rate Scotch whiskey) was manufactured solely from malted barley, and this is still the case with the whiskey distilled in the Highlands in pot stills. At a moderate computation roughly two-thirds of the spirit vended as whiskey nowadays is derived from other materials, chiefly maize (Indian corn) and molasses. The spirit so obtained is (or should be) called 'grain' or 'patent' spirit, the word 'grain' referring to the materials, and the qualification 'patent' to the type of apparatus in which this variety of alcohol is distilled." Of course that was a very strong point, this differentiation between the apparatus and the grain from which the two spirits were distilled. Then later on he says on page 646: "Distillation is effected in Highland malt distilleries in the so-called pot still. The process is one of simple distillation without any attempt at a fractional separation of the various constituents of the original liquor." Then he describes the pot still itself. With respect to the manufacture of "grain" or "patent" spirit he writes as follows: "Grain or patent spirit is sharply differentiated from pot still malt whiskey, inasmuch as the materials employed and the methods of manufacture are entirely different in the two cases. Whereas the Highland malt distiller employs barley malt, the grain, or patent manufacturer, can make use of any material either starchy or saccharine which is capable of being converted into alcohol. The materials mainly used in the United Kingdom for this purpose are maize (Indian corn) and molasses (the residue of the sugar factories). In Germany potatoes are chiefly employed, and in France

beetroots, maize and molasses. The molasses are of two kinds—namely, sugar cane molasses and beet molasses. The process of preparing these materials for fermentation does not, as a rule, involve any malting nor the use of a mash-tun in the ordinary sense of the word. Molasses are simply diluted and then 'pitched' with yeast. Maize and other starchy substances are treated with boiling water and steam (usually under pressure nowadays) in a 'converter' in such a manner as thoroughly to rupture and disintegrate the starch cells, and the material so prepared is saccharified by means of a little highly diastatic malt. The liquid thus obtained is filtered, or partially filtered, and then 'pitched' with yeast and fermented in the usual manner. Occasionally a mineral acid is used for the conversion or partial conversion of the raw starch, but this practice is now somewhat rare."

6138. (*Dr. Adeney.*) You know that the definition that Dr. Schidrowitz gave us last week would exclude many of these?—I do, and that has been the marvel to me, because after all he was differentiating here with regard to the machinery by which they were distilled, and the materials from which they were distilled, and this was not chemically differentiating them.

6139. (*Chairman.*) Did he not say that he had changed his opinion?—He did say that he had changed his opinion, my lord, but I do not see how he is to change his opinion as regards the still and the apparatus used.

6140. (*Dr. Horace T. Brown.*) That he did change his opinion in 1905 is very evident from his writings at that time?—Yes.

6141. These questions were asked of Dr. Schidrowitz with regard to his change of opinion, and he frankly admitted that he had materially changed his opinion some time between 1902 and 1904.

6142. (*Chairman.*) The point that you wish to make is that you cannot change your opinion in relation to the existence of facts?—That is so.

6143. You may be wrong in your opinion of what the facts are?—Yes, of course, you may be wrong as to what the facts are, but here he is describing the machinery and materials, and the machinery and materials cannot change, and have not changed.

6144. (*Dr. Bradford.*) But cannot the product change according to the manner in which the machinery is being used?—But I do not think the machinery is being used any differently with regard to the production of whiskey.

6145. But you would admit that with the same machinery and the same materials the product might change according to the way the machinery was used?—Most certainly.

6146. (*Dr. G. S. Buchanan.*) You were severely criticised by one of the witnesses the other day because you had stated in one of your annual reports that materials other than maize and cereals were used in the preparation of patent spirit. I suppose you would claim some of the extracts that you have read here as one of your sources of information?—Yes. I was not alluding to Scotch grain spirit in particular, I was alluding to patent spirit only. I did not describe it as Scotch grain spirit or anything of that kind.

6147. You were investigating the subject, and getting up facts as far as you could? You went to this article and found statements such as you have read here, and that had a considerable influence on your mind, and on your judgment?—Certainly.

6148. It was clear from the writing in the article in question that it was by some chemist who was very well informed; or, at all events, who spoke as one with authority?—Yes. I should like to hand in that paper by Dr. Schidrowitz.

6149. I think we might now go to Section 7 of your evidence unless there is anything that you consider is specially necessary to further refer to in these articles?

6150. (*Dr. Adeney.*) Would you look at the bottom of page 17 of your *précis*? It is, I think, to your point?—Yes. Dr. Schidrowitz further remarks on page 646: "The pot still connotes a simple non-fractional distillation, but patent still embodies the principle of fractionation in a high degree. The object of the malt distiller is to produce malt whiskey; that of the patent still distiller to evolve plain spirit, alcohol pure and simple, or something approaching the latter as closely as possible." He then describes the patent still. In that part of his paper dealing with the purity of spirits he says: "It has lately been contended that patent spirit is far more pure and more wholesome than heavy malt whiskey. The use of the word purity in this sense is misleading. It is argued that patent spirit is purer than malt whiskey, because it contains less bye-products. In the same way it might be argued that a solution containing one per cent. of strychnine was purer than a solution containing ten per cent. of sugar, because ten per cent. is greater than one. The example is relevant for the bye-products present in patent spirit are not only quantitatively but also qualitatively different to those in malt whiskey." I think Dr. Tatlock yesterday said something about them not being so if I recollect rightly. Then Dr. Schidrowitz goes on: "But even if the bye-products were the same (qualitatively) in both classes of spirit this would be no reason for saying that one was purer than the other, or for selling patent spirit for malt whiskey without disclosure of the fact of substitution." Then finally he writes as follows with respect to the adulteration and substitution of whiskey:—"We have already referred to the fact that roughly two-thirds of the whiskey consumed consists of patent spirit. Figures placed before the Royal Commission of 1891 demonstrated the fact that roughly 30 per cent. of the whiskey consumed at that time consisted of patent, and 70 per cent. of pot still. In the space of ten years the proportion of patent to pot has risen from 30 per cent. to 70 per cent. Large quantities of English spirit are blended with Scotch malt, and even Scotch grain."

6151. You put in that article?—Yes, I put in that article. (*The same was handed in to the Commission.*)

6152. (*Dr. G. S. Buchanan.*) Another circumstance to which you wish to draw our attention is the information that you obtained with regard to the requirements about the description of whiskey in connection with foreign and Colonial food laws, is it not?—Yes.

6153. You mentioned that Dr. Harvey Wiley, when he was inquiring over here into the method of distillation of spirits and beer, came to see you, and gave you information on the subject of his inquiry?—Yes, he did. I need not say that Dr. Wiley is a man who is known throughout the world on account of his investigations into food, and I think everywhere he is acknowledged as a very great authority. He told me that the object of his visit here was to obtain information as to the distillation of spirits and of beer, and that the conclusion he had arrived at after investigating the process of distillation in Scotland and in Ireland was that Scotch whiskey was a product made in a pot still from malt, but that in Ireland it was a product made in a pot still with malt and other mixed grains, such as rye, barley and wheat.

6154. The point that I understand you to make with regard to Dr. Wiley is that he regarded spirit made in England, Scotland and Ireland in a patent still as very much the same as the kind of spirit that is also made in America?—Absolutely so. He said this to me: "If this grain spirit which is distilled in a patent still is considered Scotch and Irish whiskey, then we do not want any of your Scotch and Irish whiskies in the United States," because, he said, they could make that themselves. Then he said that out in the West, in the midst of the maize growing country, there was a large number of distilleries, and he described some of them as running from year's end to year's end without ever stopping, putting forth a stream of spirit as thick as his arm. Of course, being a protectionist country, they did not want a spirit they made there themselves, but they wanted something different.

6155. (*Chairman.*) Cannot they make pot still in America?—They do not make Scotch whiskey there, or Irish whiskey.

6156. (*Dr. G. S. Buchanan.*) The protectionist view is that you may import into the United States Scotch or Irish pot still whiskey because they cannot make it there?—Yes, because they have not got it.

6157. Dr. Wiley regarded the patent still spirit that was made in this country as equivalent to the patent still spirit that flows out by the gallon, and as thick as his arm, in the United States?—Yes, that is what he meant.

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6158. (*Mr. J. Y. Buchanan.*) Might he not have wished to open a market for the American still spirits as Scotch whiskey in Scotland or in Great Britain?—I do not think so; but I cannot tell what was at the back of his mind.

6159. (*Dr. G. S. Buchanan.*) You have given us very interesting references to and extracts from the official publications in the United States, and others, showing the operation of the American Pure Food Law in regard to the description of whiskies. That is a matter upon which, I think, we shall have information from other sources; and although you have given a great deal of useful information, I think possibly we might very much abridge that, though it would be useful to bring out certain points.

6160. (*Chairman.*) If we can avoid taking things second-hand, and also having reiteration, it would be advisable?—I mention these things only in order that they should not escape the attention of the Commission in any way. I think it would be useful for the Commission to know them, so that they might get them first hand themselves.

6161. (*Dr. G. S. Buchanan.*) Just to put the point briefly, the American Pure Food Law of 1906 requires the Federal authority to deal with the adulteration and misdescription of foods which are the subject of inter-State traffic at home and those which are imported, does it not?—Yes.

6162. The American contention with regard to patent still spirit or grain spirit made in the United States is that it is essentially a flavourless alcohol?—Yes.

6163. And a similar contention has been applied to patent still spirit or grain spirit that is made in this country?—Yes, that is so.

6164. That is a matter that has attracted a great deal of attention in the United States, and has been the subject of a considerable amount of litigation, has it not, and inquiry?—Yes, very considerable.

6165. And the present phase of it, as you tell us here, and as can be gathered by anybody from public documents, is that the requirement which is made by the United States authorities of their own distillers and their own traders is that they should describe the whiskies in America under one of four headings, is it not?—Yes.

6166. Those are straight whiskies, blended whiskies, compounded whiskies, and imitation whiskies?—Yes.

6167. How far that has in practice been insisted upon at the present time is a matter which, I expect, we shall have information on. You are not able to tell us at the present time?—That is so.

6168. With regard to the whiskies which are exported from this country to the United States, in the opinion of the Attorney-General of the United States, as put forward by President Roosevelt, in this extract you give us, the same description and classification should be applied to the imported whiskies as are applied to those which are home made?—Yes. I have here a copy of the decision of the Attorney-General of America in the whiskey question, which was reprinted in the "Wine and Spirit Circular."

6169. (*Dr. Horace T. Brown.*) That is not absolutely settled yet, is it?—I think so.

6170. A good many of these standards are unsettled?—Dr. Wiley has been engaged in making a standard for a considerable time; but I think this is settled.

6171. (*Dr. G. S. Buchanan.*) The position is that at the present time it holds the field?—Yes.

6172. But we are not at present aware how far it has been administratively carried out, or how far it is likely to be upset by a legal decision?—No.

6173. (*Chairman.*) What is the result of it?

6174. (*Dr. G. S. Buchanan.*) Perhaps you would read the instruction at the foot of page 26 of your *précis*, which would answer his lordship's question?—Yes. In transmitting the Attorney-General's reply to Mr. Secretary Wilson, the President said: "I agree with this opinion, and direct that action be taken in accordance with it. Straight whiskey will be labelled as such. A mixture of two or more straight whiskies will be labelled blended whiskey or whiskies. A mixture of straight whiskey and ethyl-alcohol, provided that there is a sufficient amount of straight whiskey to make it genuinely a mixture, will be labelled compound of or compounded with pure grain distillate. Imitation whiskey will be labelled as such."

6175. Straight whiskey is the product of a single distillation, is it not?—I believe it is.

6176. It is self whiskey?—Yes.

6177. A mixture of two or more pot still whiskies or self whiskies, would be labelled "Blended whiskey"?—Yes.

6178. (*Dr. Cushny.*) Are there any real pot stills in the United States?—I said just now that they did not make Scotch or Irish whiskey in a pot still; but I must beg your pardon, as I made a mistake if I said there were no pot stills. I had running in my mind pot still whiskies. They use the pot still, because maize spirit is made in a pot still, and Bourbon whiskey is made in it.

6179. Would it be called a pot still in Scotland?—I imagine so; at all events, it is non-fractionating.

(Adjourned for a short time.)

6180. (*Dr. G. S. Buchanan.*) To conclude that portion of your evidence which relates to what you gathered regarding the description of whiskey for the purpose of the foreign food laws and regulations, you wish to draw our attention to the fact that the same question has originated in Australia, or in particular, Western Australia?—Yes, because that was the only information I had about it. I know there was something done by the Commonwealth, and some laws I understand have been passed since.

6181. There are certain regulations, are there not, with regard to the admission of whiskey into the Commonwealth?—Yes.

6182. But in the case of Western Australia, you ascertained from reports of the Government analyst that a distinction between patent still spirit and what he termed true malt whiskey was desirable in the interests of that State?—Yes.

6183. And that there was an official suggestion that distilleries should be obliged to put on the labels attached to their whiskey bottles whether it was a pure malt whiskey, or a blend of silent and malt whiskey, or a spirit all silent and flavoured?—Yes, that was in his report.

6184. Then you draw attention to some remarks of the Government analyst of Western Australia, Mr. Mann. This gentleman whom you quote here has made, has he not, a number of analyses of spirits, both brandies and whiskies, which are published in the "Journal of the Society of Chemical Industry"?—I believe so, but I have not seen them.

6185. There is a very interesting series of articles by Mr. E. A. Mann and Mr. C. E. Stacey, on the application of chemical analysis to the examination of commercial spirits, and they appear in the "Journal of the Society of Chemical Industry" for April 15th, 1907, and also a further article on May 15th, 1907. I do not think you actually refer to them in your extract, but these articles contain a large number of analyses of brandies and whiskies, respectively classified as standard samples from particular shipments, suspected samples, and so forth?—Yes.

6186. Probably if we refer, for the purpose of the minutes, to the fact that there are these papers that will cover a great deal of what you tell us here?—Yes

6187. But you wish, do you not, to say that somebody in Western Australia who investigated this question made some reference to the patent still spirit being more noxious than the other spirit?—Yes. This is the inspector of liquors of Western Australia, who says: "I received a letter from a gentleman in the country stating that the local publican was selling whiskey that drove the men who drank it mad. I inspected his liquors, and found that he was selling the whiskey marked No. 3 on the analyst's report." Then in the analyst's report it mentions what the whiskey is, and it is a Glasgow Scotch whiskey. Then he says: "On investigating another similar complaint I found that the hotel keeper was selling mostly No. 6"—that is No. 6 in the analyst's report, an Edinburgh whiskey. "The effect was the same in

both cases, and the liquor was silent spirit, yet brands that the public drank freely."

6188. We have not sufficient information with regard to that case to say whether these particular liquors sold out of these bottles were the whiskies that they were represented to be?—No. My object in mentioning these matters was to show that the question was equally engaging the attention of the authorities abroad as well as at home.

6189. As a matter of fact there is some requirement, is there not, in the case of the Commonwealth, for a minimum age at which the spirit should be admitted?—Yes.

6190. That is a recent requirement?—Yes, just recently.

6191. (*Mr. Guillemard.*) With regard to that statement at the bottom of page 29 of your *précis*, in which, as far as I understand it, the chief inspector of liquors in Western Australia quotes a letter which he received from a gentleman not named, stating that certain whiskey drove certain people mad, is there any statement as to whether that was corroborated?—No.

6192. It is simply a general statement?—Simply a general statement.

6193. And you put it down for what it is worth?—I put it down for what it is worth.

6194. (*Dr. Horace T. Brown.*) I notice he describes that as silent spirit, although it appears to have contained as much as 183·93 of secondary products?—Yes.

6195. (*Dr. Adeney.*) Is that caramel and tannin?—He says it was chiefly patent still spirit, artificially coloured. That was the analyst's report. Then I should like to put in this extract which appeared in the "West Australian" of Thursday, August 17th, 1905. I copied that from the "West Australian." (*Handing in extract.*)

6196. (*Dr. G. S. Buchanan.*) So far as the analytical portion of this matter is concerned, we should get that better probably from the papers that I have quoted to you, which give analyses of whiskey in detail?—No doubt.

6197. Then you have something to tell the Commission about the addition of artificial flavours to spirit to imitate whiskey?—Yes. The addition of artificial flavours to imitate whiskey is undoubtedly practised in England, and during the time of the recent trials a sample of prune wine manufactured in Dublin was given to me. This prune wine is, I understand, sold at 10s. a gallon. It is made by a firm named Thompson, of Dublin, and it is used in the proportion of one gallon to 27 gallons of spirit to give it the flavour of whiskey. (*Bottle produced.*)

6198. Can you give us any further details with regard to this—anything which shows as a matter of fact wine of this sort is used?—I tried to get information as to whether it was actually used, but I failed to do so. It is very difficult to get information from people who use it. It is utterly impossible almost unless you employ detectives or people of that kind.

6199. I can quite understand that, but my point was whether you could give us any information which showed that as a matter of fact this prune wine was advocated or offered for the purpose of flavouring spirit?—I saw it advertised in one of the trade papers.

6200. (*Dr. Horace T. Brown.*) What is the effect on silent spirit? Does it give a flavour at all resembling that of whiskey?—Yes, that is the idea.

6201. Can you from your own observation state that the flavour is somewhat that of whiskey?—It has got a very heavy vinous flavour.

6202. You would scarcely expect a whiskey flavour from prune wine?—It is advertised.

6203. (*Dr. J. R. Bradford.*) Are we to understand you saw an advertisement stating that this could be used for imparting a whiskey flavour to silent spirit?—That is my recollection. It is some three years ago now since I saw it. I have been trying to get the advertisement, and perhaps I will be able to get it yet.

6204. You say in your *précis* that it is manufactured in Dublin for the avowed purpose of adding it to silent or grain spirit. Is that statement based on this advertisement which you say you saw?—Yes, as far as my memory serves.

6205. Where was the advertisement?—The advertisement, I think, was in the "Wine and Spirit Trade Review."

6206. You cannot go in any detail into that?—No. I have been trying to get the advertisement, but at the time I saw a great many of these papers, and I am not absolutely able to say which it was. I did cut the advertisement out, but I have lost it long since.

6207. Is this prune wine used for any other purpose as far as you are aware?—I am not aware. Not only that, but there are essences used. *This* is the handbook of a firm of Emanuel Kern, of Edenkoben, a firm established in 1835. They advertise an oil that they call Cognac oil, which is intended, according to the amount added, to imitate brandy, whiskey, rum and gin. They say "4 grammes for brandy, 2 grammes for whiskey, 2 grammes for rum and 1½ grammes for gin."

6208. (*Chairman.*) Do you consider this is relevant to any question before us? I do not see how it affects any point at issue here. It is a historical review of everything connected with whiskey, but I do not think it goes to any point in issue?

6209. (*Dr. G. S. Buchanan.*) I understand you think that this information you received that prune juice might be utilised, and that cognac oil manufactured in Germany might be utilised for making certain spirits that were called brandy, whisky, rum and gin, was, as you considered, some sort of evidence that these things might be used in this country?—Yes. This is a German firm, and they produce a book in English and circulate it here. The supposition is they would not go to all that expense if there was not some sale for their products here. Then there is also an English firm, a well-known firm here, that supplies a somewhat similar article. I have their list here.

6210-11. At all events you would say that the facts that you have heard or gathered in this way from catalogues, and so forth, that essences and other things were added had an additional effect on your mind in advising that the whiskey question should be taken up?—Quite so.

6212. As a matter of fact the samples that were examined at Islington and the other samples that are known to you that have been examined that consist of patent still spirit have not, so far as you know, been concocted or contain essences?—No, we have got no report to that effect from the analyst.

6213. It is not certain they would be detected if they were present?—No, it is not.

6214. But you have no reason to believe that their use is common?—No.

6215. Now perhaps we may get to the more general question on which you, as the officer administering the Food and Drugs Act in Islington, are more able to tell us from your own direct knowledge. What has happened with regard to these whiskey prosecutions? Has the effect of the prosecutions been that there has been any change in the practice of labelling?—Oh yes. The effect has generally been for the public good, for some of the firms who sold their bottled whiskies without a label have now indicated on their label that they contain patent still spirit, or patent still products also mixed with malt spirit. In fact they make it plain that the whiskey is a blend.

6216. They have done that you think in consequence of the question having been raised?—Most undoubtedly. It was not done before.

6217. There has been some action by the blenders or the retailers, or whoever may be responsible, to get a more close description of the article?—That is so. Before that even some of the biggest blenders who undoubtedly, I believe, sell what is known as a high class blend, have changed their labels somewhat, although, I think, they have not changed it altogether in the direction of showing the public exactly what the spirit contains. I produce here a bottle of what is generally known as "Black and White." On the capsule are the words "Finest Old Highland Malt Whiskey." This bottle is some three years old, and now they have sent out another bottle with the capsule changed, and this one says "Fine Old Scotch Whiskey." So there is that change in it.

6218. (*Mr. Guillemard.*) Do you know the whiskey to be the same in the two bottles?—Of course I cannot tell. I presume they are, because I do not think they have ever changed their blend.

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6219. You do not know?—No, but I do not think there is any doubt about it.

6220. (*Dr. G. S. Buchanan.*) Is this the same brand?—It is sold under the same brand—"Black and White." I think there is no doubt it is a blend. They admit that themselves.

6221. It is a very well known whiskey, is it not?—Very well. But they have altered the label on the back.

6222. Here again you are unable to say what the reason of this alteration may be, but you draw the inference that it has something to do with the fact that the description of "whiskey" has lately received some further attention?—Yes. I think anyone reading the label on the old bottle could only come to the conclusion that it was malt whiskey. The second one is not so strongly worded.

6223. Is the earlier sample that you have produced so long ago that only a Highland malt whiskey was being used at that time?—Oh no. I have seen the whiskey myself with these labels on it since the trial. I think the last label has been on about twelve months.

6224. (*Mr. J. Y. Buchanan.*) What is your evidence that it was not malt whiskey?—I do not think it was ever malt whiskey.

6225. You have no evidence of that?—It has been well known as a blend for years.

6226. (*Dr. G. S. Buchanan.*) You wish to make a further point that the effect of these trials has been to acquaint the public with the fact that spirit made from maize is being sold as Scotch and Irish whiskey, which is a fact which in London, or at all events, in your district, they did not know before?—That is so. In some of the bars in Islington at the present time the following notice is to be seen:—"Notice! Whiskies. (Food and Drugs Act). Scotch and Irish whiskies sold at this establishment are not guaranteed to be solely pot still spirit."

6227. (*Chairman.*) What is the date of this bottle which you have handed in? I see it refers to "The Royal Commission"?—All the labels up to very recently contained that statement about the Royal Commission, but I think that is a mistake for the Committee of 1891.

6228. They refer to the Committee in terms just below?—Yes. That is entirely a mistake. For instance, Dr. Schidrowitz, in speaking of the Committee of 1891, has called it a Royal Commission. It is a mistake that people have fallen into.

6229. But they refer to the Committee immediately underneath?—I think it is simply a mistake.

6230. (*Dr. G. S. Buchanan.*) You are of opinion, I understand, as the result of conversation with various people in different grades of life and so forth, that the public think that if the spirit should be sold it should be sold under its proper name?—Yes.

6231. (*Chairman.*) What do you mean by its proper name?

6232. (*Dr. G. S. Buchanan.*) Perhaps you could expand that a little?—I mean that the patent still spirit should be sold under the name of "Patent Still" or "Grain Spirit."

6233. Or "Grain Whiskey"?—I would hardly say that it is entitled to the name of "Grain Whiskey."

6234. But, at any rate, it should be distinguished in some way?—I think it should be distinguished, but that is a matter that I am not very strong on as to whether the word "Whiskey" should be used or not. I think, however, that they ought to establish a right to the use of the word "Whiskey," because undoubtedly the word "Whiskey" for many many years, 150 years, was applied only to the product of the pot still.

6235. (*Chairman.*) Because there was no patent still?—But this article I hold is a different article, and therefore I would say it was not entitled to the name of "Whiskey."

6236. (*Dr. G. S. Buchanan.*) You tell us that in the trials the costs of the defence in the first instance at the Police Court were divided between the patent still grain distillers and the blenders?—Yes.

6237. And subsequently, I believe, the grain distillers bore the expenses alone?—Yes. I believe there is a difference of opinion now between the blenders and the grain distillers as to the use of the name "Whiskey."

6238. That the Commission will have an opportunity of hearing from the traders interested?—Yes.

6239. Then you give us some historical evidence with regard to the use of the word "Whiskey"?—Yes. It is from the old Celtic word "Uisge," which signifies water.

6240. You understand it is derived from that rather than from "Usquebaugh"?—Uisge beatha. Usquebaugh is a corruption of it. It means the water of life.

6241. (*Dr. Adeney.*) Should it not be "Uisque"?—Yes.

6242. (*Dr. G. S. Buchanan.*) Perhaps I may now take you to page 37 of your *précis*, because we need not go into the historical evidence in much detail as we have had so much evidence about it before. You tell us it was only in the latter part of last century that the pot still whiskey was begun to be mixed with maize spirit, which is made by a different process. When this custom was disclosed by the recent trials the patent still distillers claimed that their product was whiskey, Scotch or Irish, according to the country it was made in, and that they were entitled therefore to mix it with pot still whiskey without disclosing the fact, and they also claimed the right of user?—Yes.

6243. That was a perfectly intelligible position, but I think you wish to make some observations on that?—I was going to say this is the usual practice in all food adulterations, which I may illustrate by the example of jam, the sugar of which is now largely replaced by glucose, a cheaper article, on the usual plea that it makes a better article, although the public know nothing about it. A very large portion of the jam that is now sold is mixed with glucose.

6244. (*Dr. Horace T. Brown.*) What do you mean by glucose? Do you mean the sugar glucose, or what is known in America as glucose, which is a dextrinous substance?—It is practically invert sugar, I suppose.

6245. Is it not a fact that the glucose which is used in jam in this country is used to the extent of some 10 or 15 per cent. for the purpose of preventing the crystallisation of the sugar?—That is what I say. I am afraid they use more than 15 or 20 per cent.

6246. It is not in itself sweet?—No, it is not at all sweet.

6247. It cannot replace sugar in the sense of sweetening?—Not altogether.

6248. (*Dr. G. S. Buchanan.*) Is the usual glucose that is used the American water white glucose?—I believe so, entirely.

6249. Perhaps some other instance occurs to you (that one seems to be rather a doubtful instance) in which a newer and cheaper product replaces the older product and claims the same name without any disclosure of the fact that something has been substituted?—There is the case of sugar—Demerara sugar and beetroot sugar. There you have got the complete substitution of the one article for the other.

6250. In the case where a coloured sugar is sold as Demerara sugar?—Yes.

6251. Both could equally be sold as brown sugar, could they not, without objection?—Possibly they could, but they could not be sold as Demerara sugar.

6252. I might ask you, as you have experience in these things, whether you have anything to say about the argument we have heard here very often on the question of flavour and taste. We have had it stated to us again and again that the public have not the least care, and it does not matter to the public a bit what sort of article they really get so long as they get something they like, that it does not matter at all how the article is described or what its composition is as far as the ingredients are concerned, or anything of that sort, whether from a superior product or whether from an inferior product?—I do not think, as a rule, the public know very much about what they get. I think in these days the public depend almost entirely on the sanitary authority to see that they

get genuine articles. It is a rare thing indeed for us to get complaints in Islington as to foods. Although we have 340,000 people there I do not think the complaints average half a dozen a year.

6253. Even milks?—Even milks. As I say the public look to the sanitary authority to protect them against receiving fraudulent foods. As a rule they do not know what they are getting. So it was, I believe, in the case of whiskey, they had no idea what they were getting.

6254. Now with regard to tastes and flavours. Assuming you can produce the same taste or the same appearance in different ways, what do you say?—I think if you did that to spirits and got something the flavour of whiskey, that it would be the duty of the sanitary authority to protect the public against the fraud, although the public themselves might like it. Of course, there comes into that this question, and it is one of the questions that one cannot forget in administering the Food and Drugs Act—unfair competition. Occasionally when one man is selling a mixed butter or a fraudulent butter, another person in the neighbourhood will send to us and ask us to take samples of that man's goods because he is underselling him and injuring his trade.

6255. In the case of butter I might ask you one question, as you have mentioned it, with regard to the description of butter and margarine. The margarine manufacturer at the present time has no objection to describing his product as margarine, has he?—Not the least. He generally describes it as margarine although we do know that margarine is more frequently sold for butter than anything else.

6256. It is sometimes passed off as butter?—Very often; not so much during the last few years, but there was a time in Islington five years ago when it was a very common practice by a large number of Welsh people.

6257. So far as I have been able to gather personally, the present attitude of the margarine manufacturer is that the drastic legislation, or the comparatively drastic legislation which has led to the sharp distinction between the two has by no means damaged his trade?—It has not.

6258. You have some remarks on page 39 of your *précis* on the subject of the effect of grain spirit on public health?—Yes. I need not say that this question of the effect of grain spirit on the public health has given me very great anxiety, and I looked into it very carefully before the prosecutions. I found that lunacy from alcohol had certainly increased during the preceding 15 years, but I thought it was unwise, indeed absolutely impossible, to draw any inference from that fact. I made inquiries from the Superintendent of the London County Asylum as to whether he differentiated in any way between the different spirits that caused alcoholic insanity, but he replied to me that he had not done so, and that no records of the kind were kept, and I could not discover anything in the records of the Commissioners of Lunacy that showed that any differentiation had been made anywhere else.

6259. You dismiss that evidence as regards lunacy as altogether negative?—Yes.

6260. It does not tell you anything one way or the other?—No. I also looked into my own records in Islington to see whether there had been any increase in the different diseases that might be ascribed to whiskey.

6261. (*Chairman.*) You must ascribe it to the difference between pot and patent still whiskey to be of any use?—Of course. But I wanted to see if there had been any increase.

6262. You found nothing?—I did not.

6263. It is no good telling us you made inquiries if nothing came of it. No result was arrived at?—No, I could find no results.

6264. (*Dr. G. S. Buchanan.*) You went into the matter in various ways, but I take it that the result of your inquiries in other directions was also either negative or there was no evidence available?—Yes.

6265. You point out that you consider that persons might drink more freely of patent still spirit at a sitting than pot still spirit, but subsequently they would be more likely to feel the effect of the alcohol?—That is so. I can speak so far as the effect on myself is concerned most certainly it is my experience, and the way it has affected me is this: that a pot still spirit quickly diffuses itself. I felt the face flush and I felt a warmth in my body, and I have felt the pulse affected soon after its consumption; but I must say that the same effect does not occur until a later period with a patent still spirit or a blend of it. That is my own experience.

6266. (*Mr. Guillemard.*) Taken in equal quantities under similar conditions?—Taken in equal quantities under similar conditions. I may say at once I have made no exact experiments, but I am telling you my general experience.

6267. (*Chairman.*) Which result did you appreciate most?—The pot still spirit, because I know that patent still spirit lies very cold in the stomach.

6268. You were less flushed with the patent still?—Yes, but I think undoubtedly persons can consume more patent still spirits without affecting them at the time than they can of pot still, the result of course being that in order to get a certain effect you have got to take more patent still spirit, and the result is felt more on the next day, while the result on the nervous system must lead to serious harm.

6269. (*Dr. G. S. Buchanan.*) You think something might be said from that point of view if the matter were carefully worked out and looked into?—I think so. You want some very careful experiments made on that question, and experiments carried out under proper and suitable conditions. No doubt the Commission will have that done.

6270. I notice at the end of your *précis* you tell us something with regard to the prosecutions that took place a little while ago with regard to adulterated brandy. I think it would be well if you told the Commission what happened after you obtained the judgment in the brandy case, which was, if I remember rightly, that a spirit sold as brandy containing either grain spirit or silent spirit—I do not know how it was referred to in the analyst's certificate—was an adulteration?—Yes; I think it was the quantity of ethers.

6271. But the actual offence alleged was not for selling brandy that did not contain the right amount of ethers, but it was for selling brandy with so much spirit not derived from the juice of the grape?—Yes.

6272. After that judgment, what happened?—Immediately after that judgment there were certain principal people in the trade in Mark Lane and elsewhere in London who issued circulars. I saw one or two of these circulars. One of them says: "In view of what has hitherto been the custom of the trade, this decision places the retailer in a position of great difficulty, and, in order to meet it, we think that in retail bars a notice should be displayed in a conspicuous place stating that the brandies sold are not guaranteed to be entirely derived from wine. A similar notice should be attached to bottles, except where there is a guarantee that the brandy is distilled from grape juice." There were several firms who sent out these circulars.

6273. I think it would be convenient if you put specimens of those circulars in?—Yes. It shows the course they took at the time.

6274. (*Chairman.*) Perhaps it would be better not to put in the names and addresses of the firms?—Very well, my lord. The two circulars are as follows:—"London, E.C. 31st May, 1904. Dear Sir,—Brandy. We beg to call your attention to an important decision delivered by the North London magistrate yesterday, to the effect that brandy when sold as such, must be entirely distilled from wine, and must not be mixed with silent spirit, whether derived from wine or other materials. In view of what has hitherto been the custom of the trade, this decision places the retailer in a position of great difficulty, and, in order to meet it, we think that in retail bars a notice should be displayed in a conspicuous place stating that the brandies sold are not guaranteed to be entirely derived from wine. A similar notice should be attached to bottles, except where there is a guarantee that the brandy is distilled from grape juice. These precautions need only be temporary, and

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during such time as is necessary to get rid of existing stocks. Our travellers have instructions to show you on their next call brandies that have been sold to us as from wine only, and have passed an analyst. The above remarks do not apply to our Longenek, which is a pure grape brandy, nor to many qualities that we sell; but, as analysts differ so much in their conclusions, we think it right to recommend you to adopt this or some other form of self-protection. Yours faithfully, ——." Then the other is:—"London, 31st May, 1904. Dear Sir,—Re brandy posecution at North London Police-court, before Mr. Fordham. Referring to the magisterial decision delivered yesterday, we beg to notify that we will not guarantee any brandy to be distilled solely from the pure juice of the grape, and we recommend all our friends to post up a notice to this effect in a conspicuous place. Yours faithfully, ——."

6275. (*Dr. G. S. Buchanan.*) The effect was this: that there were a series of circulars sent out, stating that the traders concerned should give notice that they did not guarantee any brandy to be distilled solely from the juice of the grape, or words to that effect?—Yes. And here is a notice that appeared also, largely in the bars, which I will also hand in:—"Notice. Owing to the decision given yesterday by the magistrate at the North London Police-court, that all spirit sold as brandy should be the product of distillation from grape wine only, notice is given that, in order to meet the requirements of the Excise, all spirit formerly styled brandy will, until our samples have been analysed and passed, be sold under the name of 'Eau de Vie.'"

6276. These brandy prosecutions were taken up not only in your district, but in a number of other districts throughout the country, and particularly in Scotland?—Yes.

6277. They were taken up in Glasgow, were they not?—Yes.

6278. You told us that one effect of those prosecutions was that attention was attracted to rum?—Yes, attention was directed to rum, and Mr. Nolan, who is here now, told me that the Jamaican Government passed a law which enabled them to send him to England, as Commissioner to this country, to protect their industry.

6279. Can you tell us in a few words what is the particular point with regard to Jamaica rum? Is Jamaica rum a pot still rum?—Jamaica rum is a pot still rum, and it has been undersold in this country by a rum made in Demerara in a patent still. The difference between the two rums is extremely marked, and the object of the Jamaican Government was to prevent this Demerara rum and similar rums being sold for their rum.

6280. The action taken in that case has been under the Merchandise Marks Act, has it not?—They have taken action under the Sale of Food and Drugs Acts, but latterly entirely under the Merchandise Marks Act.

6281. Then you have a suggestion in your *précis* which I think would be useful to the Commission. You make some observations with regard to the alcoholic strength at which whiskies are retailed?—I should like to suggest to the Commission that it is advisable that all whiskey which is sold over the counter should be sold at a uniform alcoholic strength.

6282. (*Chairman.*) Suppose I wanted a weak whiskey, why should I not get it?—If you want a weak whiskey you can always dilute it, but they will charge you the same for it, my lord. What I think is this, that a great many people are accustomed to go into a bar where the whiskey is exceedingly dilute and then they go somewhere else where the whiskey is stronger. In the one place it may be 37 under proof or 30 under proof, and in the other place it may be 18.

6283. What is your remedy?—The remedy is to have a uniform strength of spirits sold over the counter, so that when a person goes into a place he may know that he is getting a spirit of the uniform strength.

6284. You mean uniform over the counter throughout the land?—Yes, my lord.

6285. Where do you allow for the variation of taste?—In strength.

6286. If you have one uniform strength, every human being must drink the same strength. How can you make it stronger?—By putting less water in it.

6287. Why should you make all people in this country drink whiskey weaker than they like?—I think if whiskey was sold at about 20 under proof over the counter they would have a spirit that is strong enough for any purpose. I do not think anybody ever drinks it much stronger than that. Whereas if they did not like that strength they could dilute it weaker, but it is strong enough for drinking raw.

6288. (*Dr. G. S. Buchanan.*) At present the dilution is done by the retailer?—Quite so.

6289. I suppose one point you would wish to make is that the customer gets whiskey and water and pays the price of whiskey?—That is so. There is no doubt about it.

6290. With regard to that, can you tell us whether there is any limit to which a man may go in watering the whiskey, provided he gives notice of the fact?—There is no limit at all, provided he gives notice. It is no uncommon thing to find a notice which I have seen in Islington to this effect: "Notice. All spirits sold at this establishment are of the same superior quality as heretofore, but to meet the requirements of the Food and Drugs Adulteration Act, they are now sold as diluted spirit. No alcoholic strength guaranteed."

6291. That means that a publican can add as much water as he pleases?—Yes. In consequence of this or similar notices no prosecutions could be taken against the vendors of nine samples of whiskey, eight samples of gin, three samples of rum and two of brandy procured in Islington, although every one of them was sold contrary to the 6th section of the Sale of Food and Drugs (Amendment) Act, 1879. It is there laid down that whiskey and rum and brandy must not be reduced more than 25 degrees under proof.

6292. (*Mr. Guillemard.*) Without notice, but there was notice in these cases?—There was a notice in the bar.

6293. I think the Act expressly said it was not an offence if you gave notice?—Yes, that is so, I think.

6294. (*Dr. G. S. Buchanan.*) I think it is only part of the general Act which says that anyobdy can escape if they give notice. At this moment you are not complaining that it is an offence, but you are merely pointing out that it opens the door to a considerable amount of fraud, as I think you call it?—It is practically fraud, because nine out of ten people who go into a public-house do not see these notices up there.

6295. One question about those notices. Are notices of this kind very common in public-houses?—They are exceedingly common. The other day, seeing the name of the printers to a notice in a public-house, I took the trouble to write to those printers and ask them if they would be good enough to send me copies of all the notices they printed and issued to public-houses, and accordingly, by return of post I received the following notices: First, there is the one that you have already had about brandy. "Notice. To Customers. All spirits sold at this establishment as Brandy are of the same superior quality as heretofore, but are not guaranteed to be *solely* extracted from the juice of the grape." Then there is one about rum. "Merchandise Marks Act. Rum. Customers are herewith notified that although the greatest care is taken to supply *the very finest Rum* obtainable, we cannot, owing to the above Act, guarantee it to be distilled in Jamaica." Then there is a notice with regard to port wine. "Notice. Port. (Food and Drugs Act.) Wines sold at this establishment as Port are guaranteed to be of the same superior quality as heretofore, but are sold as a blended Wine, and not necessarily the produce of Portugal. Oporto Wine supplied when asked for." Then with regard to whiskies. "Notice. Whiskies (Food and Drugs Act). Scotch and Irish Whiskies sold at this establishment are not guaranteed to be solely Pot Still Spirit."

6296. I suppose in your view if notices of this kind can be put up and are put up saying always what these spirits are not, there is no reason why they should not be replaced by notices saying what they are?—Quite so. If notices are put up at all they ought to state what the spirits are, not what they are not.

6297. I have been given some supplementary papers but I do not know whether there is anything in them

that you wish to put in?—There is the question of the prices of these liquors. I thought it might be interesting to the Commission to know exactly what measure of spirits was, as a rule, sold in London as a glass of whiskey. I have got the measure here. (*Producing measure.*) It is a quarter of a gill, and I find that there are 128 quarter gills in a gallon. I have calculated here the price that that works out per gallon of spirit when the spirit is sold at 2d., 3d., 4d., 5d. and 6d. a glass. When sold at 2d. a glass it works out at £1 1s. 4d. per gallon, when sold at 3d. per glass it works out at £1 12s. per gallon, when sold at 4d. a glass it works out at £2 2s. 8d. per gallon, when sold at 5d. a glass it works out at £2 13s. 4d. per gallon, and when sold at 6d. a glass it works out at £3 4s. per gallon. My object in doing that was to call attention to the profit that is made. Of course I am not including establishment charges in these figures at all, these are only the actual prices of spirit which I have worked out. I have taken a patent still spirit three years old which at proof cost about 2s. a gallon. I think that is a fair price. That is equal to 10s. 5d. per gallon at 20 under proof, 20 being the usual strength at which these spirits are sold. That is 10s. 5d. with duty. The profit, when sold at the price specified, would be, at 2d. 10s. 11d. per gallon, at 3d. £1 1s. 7d. per gallon, at 4d. £1 12s. 3d. per gallon, at 5d. £2 2s. 11d. per gallon, and at 6d. £2 13s. 7d. per gallon.

6298. Are these profits at proof?—No, they are profits at a drinkable strength—20 under proof. In the case of pot still spirit I have taken a five-year-old whiskey, 15 over proof, at 6s. per gallon—that is the cost of the whiskey at 15 over proof. Reducing that to 20 under proof it will cost 13s. per gallon with duty paid. If sold at 2d. the profit is 8s. 4d., if sold at 3d. the profit is 19s., if sold at 4d. the profit is £1 9s. 8d., if sold at 5d. the profit is £2 0s. 4d., and if sold at 6d. the profit is £2 11s. My object is to show that a really good pot still spirit can be sold with a reasonably good profit.

6299. At the same time that a somewhat better profit is made from the patent still spirit?—Quite so.

6300. (*Mr. Guillemard.*) I did not quite follow what you said just now about an offence against section 6 of the Food and Drugs Act 1879. I thought what happened was this, that a publican puts up the notice in his place to say that he does not guarantee the strength of spirits to be anything in particular?—Yes.

6301. He then sells a spirit which is more than 25 below proof?—Yes.

6302. If he puts up such a notice and sells such a spirit at more than 25 below proof, is that an offence against any Act?—Not if he puts up a notice.

6303. You said that he did put up a notice and you then say that every one of these cases in which that was done was an offence against the 6th section of the Act. But surely it is in conformity with the Act—it is not against any section, is it? Is what you meant to say this, that if you could have the drawing of the Food and Drugs Act 1879 yourself you would prevent what now is done under that Act without contravening it?—No, what I meant was this, that he was selling a spirit the strength of which was reduced below that to which the spirit is allowed to be reduced when selling without a notice.

6304. But there was a notice?—There was a notice.

6305. Therefore there is no offence. Surely that follows?—There was no offence; there would have been prosecutions if there had been an offence.

6306. But this is what you say in your *précis*, "In consequence of this or similar notices no prosecution could be taken against the vendors of nine samples of whiskey, eight samples of gin, three samples of rum, and two of brandy, although every one of them was sold contrary to the 6th section of the Sale of Food and Drugs (Amendment) Act, 1879." It is not contrary to any section is it? It is contrary to what you wish to be the effect of the Act, but not contrary to the actual section?—Quite so.

6307. There is no offence at all?—No, there is no offence at all.

6308. (*Dr. Bradford.*) You state in your *précis* that you think there is no doubt that people drink more silent spirit than pot still whiskey?—Yes.

6309. Could you give the Commission the evidence on which you base that?—During the hearing of the case, I think it was at the Clerkenwell Sessions, a man there stated that he had been selling pot still spirit, but that another publican in the same street not far from him was selling patent still spirit. The people left him to get the patent still spirit because they could drink more of it.

6310. That is what you have been told?—That was in the evidence.

6311. That is all the evidence you have on the subject?—That is all, except some general conversation with persons as to the effect on themselves.

6312. (*Dr. Cushny.*) Did you think that was a reasonable explanation of the publican?—I think it was. I think that patent still spirit does not take effect so quickly, and that people standing talking drink more of it. I think that is so, undoubtedly.

6313. Do not you think it is because the public like it better? Would not that be the simpler explanation?—They might like it better, of course, I cannot say, but they undoubtedly can drink more of it.

6314. On what ground did Dr. Wiley define Scotch and Irish whiskey?—On the ground that he went through the distilleries in Scotland and in Ireland and examined the method of distilling very carefully, and formed his conclusion in that way.

6315. Do you think the Commission would be able to define them easily if it went to Scotland and to Ireland, because we have been struggling to do that for the last six weeks?—I cannot say what the Commission can do.

6316. How long was Dr. Wiley in Scotland and Ireland?—I do not know, I could not tell you at all.

6317. He must have seen the patent still going on as well as the pot still. Why did he say "This is Scotch whiskey and that is not Scotch whiskey"?—He examined the different methods of distillation in Scotland and saw what was being done. I do not know why he came to the conclusion, but he came to the conclusion evidently that only pot still spirit was Scotch whiskey, and that pot still spirit in Ireland was Irish whiskey.

6318. It does not seem to me that his opinion should carry very great weight unless he gives the ground for it?—Possibly not, but I am only putting in this evidence to show the Commission what other people considered Scotch and Irish whiskey to be. Dr. Wiley is a very great authority on foods throughout the world.

6319. (*Dr. G. S. Buchanan.*) You did not accompany Dr. Wiley?—No, I did not accompany Dr. Wiley.

6320. (*Dr. Cushny.*) You assume that German spirit is not worse than rectified spirit, but is either bad?—I have an idea that all spirits are bad in a sense.

6321. Is either worse than pot still whiskey?—I could not tell you. I have never drunk any of it.

6322. Several times in your evidence you rather infer that it is worse?—The general opinion is, I think, that it is not so good as the English and Scotch spirits, but I have no personal knowledge of it at all.

6323. (*Mr. J. Y. Buchanan.*) At page 3 of your *précis* you say that "During the hearing of the prosecutions against certain publicans in Islington for selling spurious brandy, it became apparent that patent still grain spirit was not only used in adulterating it, but also in adulterating Scotch and Irish whiskey." Is not that rather begging the question to say it is adulteration?—I look upon it as an adulterant.

6324. Have you not heard it given in evidence that patent still whiskey has been manufactured and sold and bought openly in Scotland as whiskey for over forty years?—I have heard that.

6325. Would not that bring it under the definition not of adulteration but of blending?—I do not think it is a blend now. I do not think they are the same spirit.

6326. But it is surely improper to talk of adulteration?—From my point of view it was adulteration. There would have been no prosecution if we did not think it was adulteration.

6327. You go on to say that the labour members of the Borough Council told you that there was a whis-

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key sold to the labouring classes in London that was poison. Did they give any indication of what they meant by "Poison"?—No. It affected them badly; they were sick next day, and all that. That is what they told me. There was a good deal of talk about it. Of course one does not take everything one hears as actual gospel.

6328. Did you not suggest to your labour members that perhaps the alcohol had something to do with it?—I made no suggestion. They were my masters for the time being.

6329. And they said that something, if possible, should be done to stop the sale? Could not the labour members have used their influence to stop the purchase by the labouring classes?—Very likely they could if they chose to do so. I think there are a good many leaders among the working classes who attempt to prevent their fellows drinking much.

6330. You say that one of the sanitary inspectors informed you that he was present in a public-house when a traveller called on the landlord and offered a German spirit at the price of apparently grain spirit. Have you any evidence that the landlord bought that spirit?—No, the landlord did not buy it. The landlord turned on him and he said, "Get out of this, you rascal. Do you want to ruin my trade?" The landlord did not touch it.

6331. That alters the bearing of it very much?—I did not intend you to infer that he bought it.

6332. (*Dr. Adeney.*) Did I gather a right impression from your evidence in thinking that you classified in your own mind the Scotch blenders of pot and patent still with the manufacturers of decoctions of silent spirits and essences?—No, I did not mean to convey that to the Commission. I think the blenders of Scotch and Irish whiskey use grain spirit as a rule in this country, that is to say, the recognised blenders. But when one gets down to publicans you do not know what they do in their own place. There is no control, and nobody knows what they do. I have an idea that something is going on. Not long ago I went into a place and I had a glass of whiskey; I immediately spat it out of my mouth again. It was a vile concoction, and I said to the man: "What on earth is this?" He said, "Oh, that is my own blend." I said, "How do you mean?" He said, "We blend it ourselves." Of course, one does not know what it is. It may have been very new pot still spirit, and very bad grain spirit; I do not know which it was, but it was a frightful concoction.

6333. You do not wish to press much of the evidence you have given against the Scotch blenders?—I wish to say nothing against the blenders as to the quality of the spirit. I believe the best blenders sell good patent still spirit and good pot still spirit.

6334. Then you have no objection to patent still spirit being consumed?—I know of no reason at present why it should not be consumed, but I think it ought to be consumed under its own name, as it is, in my opinion, a different spirit; and if it is the spirit they all say it is, then there ought to be a very considerable sale for it under its own name and own description on the bottle.

6335. You do not suggest by any of your evidence that patent still spirit is more deleterious to the consumer than pot still spirit?—I do not think so, taken in equal quantities.

6336. There was one remark that dropped from you—I do not know whether I took it rightly. I think you said at the time of the inquiry by the Parliamentary Committee of 1890 and 1891, there were no such fine distinctions then drawn between patent still and silent spirit as now?—No, I do not think there were.

6337. Were you quite correct in that? Do you remember Dr. Bell's evidence before that Committee?—Yes. But then you had Dr. Pavy again who was an authority on foods, who practically took the other side. I do not think they are very strong on the question.

6338. Do you remember that Dr. Bell actually gave analyses of pot still spirits, patent still spirits, and foreign silent spirits?—No. I think they differentiated them, but I do not think there was a very strong opinion otherwise.

6339. Do not you think much of the prejudice against the patent still spirit has arisen from the confusion of the terms "patent still" and "silent spirit"?—I do not know. Silent spirit is rather a vague term, because it includes rectified spirit. Rectified spirit is a well-known term, and I do not think the term "silent spirit" is ever substituted for rectified spirit. I never heard of it. I think silent spirit is a spirit less highly rectified than rectified spirit.

6340–1. What do you think silent spirit refers to generally?—I think it is spirit so rectified that you cannot tell its origin.

6342. Is that silent spirit produced by the patent still distillers a product to be consumed as whiskey?—Undoubtedly it is, because you have got it produced here in London, and used as whiskey. I judge from the evidence we have had that the London spirit is less flavoured than the Scotch spirit, and therefore more silent.

6343. But you can give us really no exact evidence to prove that?—It is very difficult to find it, but I think the Commission will be able to get it.

6344. I was anxious to see whether you really pressed this point that silent spirit and patent still spirit are terms interchangeable?—I think they are.

6345. Is that quite fair to the grain distilleries?—I cannot personally distinguish a very great difference between these spirits. I have tried several times. Only the last week I examined several samples of Irish and Scotch and London spirits, and I must say I could not tell the difference between them.

6346. You are aware that a definition has been put forward by Mr. Walter, on behalf of patent still distillers, that would exclude all these concoctions that you have been referring to?—I have heard so; but I was not here when Mr. Walter gave his evidence.

6347. (*Dr. Horace T. Brown.*) I gather from your evidence that you take a full share of the responsibility in advising your Council with regard to these prosecutions?—Yes.

6348. It appears to me that you started with the assumption that grain spirit made in a patent still could not be whiskey and had no title to that name?—Yes.

6349. Did you make many inquiries on this question? Did you inquire of the Scotch distillers, and did you travel for the purpose of getting information, or did you take very much trouble in order to get information of any kind?—I did not travel.

6350. Were you dependent on Dr. Teed for your information on those matters?—Dr. Teed and, I believe, our solicitor both travelled. I did not go.

6351. You did not get information for yourself?—No; but I was acquainted with distilleries in my early youth. I knew half a dozen distilleries, and I was well acquainted with the inside of them.

6352. But for the purposes of this particular inquiry you did not make any special effort yourself to gain information?—No.

6353. You took it from others?—I depended a good deal on my own knowledge as to whiskey, especially Irish whiskey.

6354. Did you take part in framing those definitions of whiskey?—No.

6355. You have given, on page 13 of your *précis*, some interesting details of some 20 samples or so, which, I suppose, were taken in Islington?—Yes.

6356. Twenty samples of whiskey on which, I suppose, Dr. Teed reported?—Yes. The results are stated on his certificates.

6357. We have had no previous information of these samples, and it would be very interesting to know what were the analytical results obtained by Dr. Teed—that is to say, what was the basis on which he calculated this percentage of patent still spirit in each case?—I think very likely I have the records—in fact, I am almost certain.

6358. Can you give us the coefficients in those cases?—I will hand you in the certificates.

6359. (*Chairman.*) To make your evidence complete on the point, you do not object to patent still spirit being sold as such?—No.

6360. You do not object to blended spirit being sold in England?—No.

6361. You do not object to any degree of the blend?

—No. I think that the degree of the blend should be stated on the mixture.

6362. The only thing you want apparently, on behalf of what we will call the prosecution, is that the exact quality of the whiskey, pot still, patent still, or blend, should be stated in some way or other, if possible, to reach the consumer?—Yes, my lord. I have got here a little parcel of spirits that were bought in twopennyworths in the East of London. There are 12 spirits. I did this in consequence of Dr. Schidrowitz's examination the other day, when he said he bought quarts of spirits for analysis. I think, my lord, it would be interesting if I handed them into the Commission. I have not opened them, so I do not know the nature of any of them. I think it would be interesting if the Commission handed these spirits to a taster such as Mr. Pheysey to examine. (*Handing in samples.*)

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6363. The Commission are much obliged to you for the evidence you have given.

The witness withdrew.

(*Chairman.*) As the Commission is about to adjourn for the Easter recess, I desire to say that we have now sat on 12 days and examined 34 witnesses. We certainly have obtained a considerable amount of valuable information, and while we are not desirous in any way to limit the extent of the inquiry, we shall endeavour to escape as much as possible from unnecessary repetition. The evidence that will be first taken after we re-assemble will probably be that of persons occupied as blenders. The length of the recess has to be governed by two considerations. In addition to the ordinary recess, certain of the Commissioners have to find time for visiting some distilleries in Ireland and in the Lowlands and Highlands of Scotland. The result is that the earliest available day for the re-assembling of the Commission will be Monday, May 4th.

Adjourned to Monday, May 4th.

THIRTEENTH DAY,

Monday, 4th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. JAMES GREENLEES, called.

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6364. (*Chairman.*) You are a partner in the firm of Greenlees Brothers, pure malt whiskey distillers, bonded warehouse keepers, blenders and whiskey merchants?—Yes.

6365. You carry on your business in London and Glasgow, and you have your bonded warehouse at Campbeltown?—Yes.

6366. You are a Director of three different companies, Greenlees and Colvill, Limited, of the Hazelburn Distillery; Colvill, Greenlees and Co., Limited, Argyll Distillery and Burnside Distillery; and the Speyside Distillery Company, Limited, Kingussie-on-Spey?—Yes.

6367. What has been the length of your experience?—About 40 years.

6368. When did you first commence your practical experience?—In 1871. Previous to that I was brought up at a distillery and knew all about distilling, but I commenced business as a blender in 1871.

6369. In your early days and from what you have learnt as to what existed before 1871, I believe the habit of trade was to offer pure self whiskies unblended?—Yes.

6370. I suppose different distilleries produced different classes of whiskey with different flavours?—Entirely. Each district had its own flavour.

6371. And I suppose in the early times the pot still whiskey was the one that was principally known?—The patent still whiskey was as well known as the pot still. Both were perfectly well known.

6372. Which had the greatest trade?—In 1871 the largest quantity made would be patent still. I refer to Scotland.

6373. And both pot and patent still were sold as self whiskies?—Yes.

6374. Do you know what was the effect upon the trade in England of selling the self whiskies? In Scotland I suppose they consumed Scotch whiskies?—Yes. The English people were not accustomed to the high-flavoured Scotch whiskies. Of course, in the case of a Scotchman living in England he had his own particular fancy, whether it was Islay or Glenlivet or Campbeltown.

6375. There is no doubt that some Scotchmen do live in England?—They do.

6376. And they adhere to their own whiskey?—Yes.

6377. But I believe in early times the bulk of the whiskey consumed in England was Irish?—Yes.

6378. The preponderance was Irish?—Yes.

6379. Unblended whiskey, be it pure or patent still, has, I believe, ceased to hold the public taste as much as blended whiskey?—Certainly.

6380. The figures show that?—Certainly.

6381. Take your own firm. In your early days what was the proportion of the whiskey, Irish and

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Scotch, that you sold?—We sold about three vats of Irish to one of Scotch.

6382. For consumption here?—Yes, in England.

6383. When did you commence your blending?—When we came to London in 1871 we commenced the blending of Scotch whiskey, but it took some time to get it into the trade and into public favour.

6384. That was in 1871?—Yes.

6385. Did you carry on the blending as a fact in England or did you blend in Scotland?—We blended in Scotland.

6386. And sent it to England for sale?—Yes.

6387. Did you establish any particular standard of the blend?—No.

6388. How did you regulate your blending?—By what we considered was the blend of whiskey to suit the palate of the public at the time. The Irish whiskey having less flavour than the Scotch, we reduced the flavour and made it more palatable than an individual whiskey.

6389. I presume you had to follow the public demand, which meant the public taste?—Certainly, and we tried to educate the public.

6390. In what direction did that public taste go?—In the direction of a more silent whiskey.

6391. And silent means not so pungent?—Not so heavy, not such a heavy flavour; rather less flavour than the malt whiskies.

6392. As a matter of fact which would be stronger, the pure pot still or your blend?—The pot still pure malt would have more flavour.

6393. I used the word "stronger." It is a very unscientific term, no doubt, but which would have the greater intoxicating effect?—The strength of the whiskey would be exactly the same as tested by the hydrometer.

6394. Would they have the same intoxicating effect?—No, the one would be lighter. You could drink more of the blend than you could of a distinct whiskey.

6395. You could drink more without becoming intoxicated?—Yes.

6396. And if a man drank the same quantity of both, you think they would not both have the same effect as to intoxication?—No.

6397. Therefore according to your view the blending does produce a good effect?—Yes, certainly.

6398. And the public seem to think so?—Certainly; and it has been proved.

6399. From the time this process of blending first commenced, has the practice gone on increasing?—Certainly.

6400. In what direction do you blend? Do you blend pot still whiskey and patent still whiskey?—We blend malt whiskies, all pure malt made in different districts, and then we blend all grains. We blend all Campbeltown, all Islay and all Glenlivet, all Lowland malt, and all grain, and we use the proportion of each of these to get the whiskey that we consider, or I myself consider, will suit the palate of the English public.

6401. You feel the taste by, I suppose, the demand made upon you?—Yes. You test it, first of all, by the smell, the nosing of it, and then the tasting of it.

6402. As you have tasters in the wine trade, you have experts to taste the whiskey?—Exactly the same.

6403. What you think will please the public, I suppose, sometimes does please them and sometimes does not; but in the result you are able to tell what whiskey has suited the public best?—Yes, certainly. Different districts require different flavours.

6404. I gather from what you have said that you do blend the pot still malt whiskey with the grain whiskey in certain proportions?—Yes.

6405. Those proportions vary?—Certainly.

6406. Do you in all your blends always have some percentage of malt whiskey?—Yes, there is always malt in the blends, but there is not always patent still. There is always malt.

6407. What is the range between which your percentages go of the extent to which you have malt in your blend?—It would be very difficult to tell that. You may go from 10 per cent. of patent still up to 90 per cent. of malt, and *vice versâ*.

6408. Practically, giving me a rough average, what percentage of malt would there be?—It would a great deal depend on the price of the whiskey and the age. If it was a cheap whiskey you would have to put a greater percentage of patent still whiskey. If it was a high class whiskey, a dear whiskey, you would have less patent still in it.

6409. But let us reduce it to practice. Supposing you had a particular friend whose interest you considered all round—his health and everything else—what sort of a blend of whiskey would you make for him?—Anything up to 50 per cent. of malt and 50 per cent. of patent still. If I was drinking it myself I should prefer a blend of malt and patent still to a pure malt by itself.

6410. You have given us the reason that it has a mellower taste?—Yes, I should say it is better for you.

6411. I gather from what you have said that the lower the percentage of malt and the higher the percentage of grain the price falls?—Yes, the more patent still you have you can sell it at a less price.

6412. Take the case of one of your customers. If he is doing a high class trade you know the kind of whiskey to blend for him when he asks for Scotch whiskey according to his wants?—Yes, if we are supplying a first class wine merchant with a good connection he gets a much older whiskey and most likely it suits his customers to take more malt, whereas a publican, as a rule, has always two or three qualities of whiskey. He may start at about 3s., and he may go up to 11s. or 12s. per gallon in bond, according to the trade he does.

6413. With regard to this variation of quality of blended whiskey, does the original material, the class of cereal put into whiskey before being blended, affect the price?—A pure malt whiskey made from pure malt costs more money than the patent still whiskey made from malted barley and maize.

6414. But have you gradations in the different whiskey, the malt and the grain, according to the articles used?—Certainly.

6415. So you can get a very cheap whiskey?—Yes.

6416. Have you any knowledge of there being a demand for cheaper whiskies since the practice of tied houses came into existence?—I should say so, certainly.

6417. In the case of a tied house in the hands of a brewer he takes the whole of it?—The chance would be that he would have to take a cheaper whiskey.

6418. Sometimes the distillers themselves supply and sometimes they do not?—Certainly.

6419. What is the effect as a consumable commodity of those cheap whiskies? Are they healthy?—I do not know. I would not care to drink them myself. I should much prefer an older whiskey.

6420. And a different class?—Yes.

6421. Blended?—Yes, I certainly would prefer a blended whiskey, older and a higher price whiskey than you would get at certain public-houses.

6422. As you go up in scale proportion of the malt whiskey and get to 50 per cent., does that raise the price compared with when you only have 10 per cent. of malt?—Certainly. If you have 50 per cent. of malt and 50 per cent. of patent still it would be cheaper than if you had 70 per cent. of malt and 30 per cent. of patent still. The latter would be a dearer whiskey.

6423. And you charge it as a dearer whiskey to your customers?—Yes.

6424. But do you know enough of the practice that exists when we come to the publican, who all through has been getting his cheap whiskey for the reasons you have just given, and who, if asked for a glass of whiskey, may have a different class altogether? Does he charge the same price for this cheap whiskey as he would charge for the higher priced whiskey?—No.

6425. Are there gradations of price?—Certainly; they go from 2d. to 1s. per glass.

6426. Does that depend upon the name that is given to the whiskey so sold?—Certainly. If you go into a house and ask for a whiskey you would very likely say you wanted "special."

6427. In Scotland they know so much about their different distilleries, but here in England, take London, a man goes and says "I want a glass of Scotch whiskey." What more does he know?—He should know by his palate. He is in the habit of drinking whiskey and he would very likely leave it as not being satisfactory, and he would simply say to the landlord: "I want something better than that," and then he has to pay 4d., 6d., 9d., or 1s.

6428. Would he know anything about pot still or patent still?—No, he would not.

6429. And he would know nothing about distilleries?—No.

6430. Or the character of the blend?—No.

6431. So the publican can give him what he likes, subject to his saying "I do not like it"?—Yes, or if he knows the neighbourhood he would know where he could get the best whiskey.

6432. That is where the trade is controlled by the supply having to meet a demand according to taste?—Certainly. What has led to general blending has been that they could not give as good a whiskey, and the blenders then came, and the public now ask for a brand.

6433. We understand there are about 150 distilleries in Scotland, and I suppose almost every one of them makes whiskey according to its own idea?—Yes.

6434. Each one of those whiskies would run the chance of suiting the palate of the consumer. Is it an easier thing to find a whiskey that suits the palate by blending?—Certainly. I do not think there is any individual whiskey that suits the average man. Ninety-nine men out of every 100 would prefer a blend; the other man would prefer an Islay, and the other 99 would not look at it. The one man is accustomed to have a high flavour, but there is no doubt about it that a blend is not only milder but better for you than any individual distillery. Then there are different distilleries and each varies from another. Then in different seasons each make varies from the previous season owing to the malt.

6435. Now will you tell us what they make their whiskey of? In the first place you have the malt whiskey exclusively. Then you have your grain whiskey, that still is made from cereals only?—Yes.

6436. You do not admit that you ought to take molasses or any other substance for that grain whiskey?—We admit nothing except cereals—not rice. It is a question whether rice is a cereal, but I would not permit rice to be used.

6437. Some of the witnesses have said that the cereals should be grown in Scotland, but I think that contention has passed away?—Oh, no, you could not do that.

6438. You would admit maize?—Yes, any cereal except rice.

6439. You sell individual distillers' whiskies, malt or grain, and you also blend malts and sell all malt blends?—Yes.

6440. You blend malt and grain, and you also have grain whiskey blends?—Yes.

6441. That is the whole variation you can have?—Yes.

6442. For which of those blends is there the greatest demand?—The greatest demand is for blended malt and grain.

6443. From what you have gathered for yourself, and from what you have learned from your brother distillers, is that the whiskey you would recommend to be drunk?—Certainly, and I would drink it myself.

6444. This is not a question of profit with you, but it is your opinion?—Yes.

6445. Of course, you want to sell what there is the greatest demand for, but apart from that you are not interested as to which whiskey?—That is so.

6446. Now I want to get something practical from you. I do not think anybody suggests that patent still whiskey should not be used, and I do not think it is suggested that it should not be blended, but it is suggested that there should be a great deal more information given. Would you be disposed to make public the exact proportions of the blend that you make?—No, I do not think it would be fair.

6447. You treat it, I will not say as a trade secret, but a trade possession?—Certainly, it is one's business pure and simple. If everybody had to put on their label the exact proportions of grain and malt each one would know exactly the other man's business, which I do not think would be fair.

6448. The arrival at the blend that may be best is a work of experience, and a work, I suppose, sometimes of considerable duration, but then you do arrive at a blend which you do think is the best?—Yes.

6449. That has been accomplished by your practical experience in the trade?—Yes.

6450. If you put the proportions on the label then there would be no copyright or protection, but it would become general property, and every other seller of whiskey would be able to blend it as you blend it?—Exactly.

6451. I do not say it is right or wrong, but that is the view of the people you represent? They say publicity ought not to be put upon the trader who has worked his way to obtaining a good blend?—Certainly.

6452. That is your case, I think?—Yes.

6453. Assume for a moment that all these materials are pure cereals, and not deleterious in composition, what would be the advantage of telling the public consumer "This is 90 per cent. to 10 per cent.," and "This is 80 per cent. to 20 per cent.," so that he may know exactly what it is, unless it affects the price?—If there was 90 per cent. of grain and 10 per cent. of malt, and you reversed it, the consumer would not know any more than he does at present. He would know pretty well if it was the opposite proportions, unless you label the one 90 and 10, but to say it is a blend of malt and grain nobody would have any objection to.

6454. Take the ordinary whiskey that goes into a well-regulated household for the smoking room on the hillside after shooting. You sometimes see the age of the whiskey given on the bottle?—Yes, that is so.

6455. But at present there is nothing else except "Scotch Whiskey" and the age?—Yes.

6456. Is the majority of English whiskey that we see blended whiskey if it is marked "Scotch Whiskey?"—Certainly, I should say so. If you buy your whiskey from a wine merchant it would certainly be a blended whiskey. If you buy your whiskey direct from a distillery, and supposing you are up in the North shooting, you would very likely get your whiskey from the nearest distillery, that would be individual whiskey.

6457. But taking England, if they were to have the pure pot still whiskey would it startle the ordinary Englishman a little now, after experiencing the blended whiskey?—Yes, if he has been accustomed to drink the blended whiskey he would not like the pure malt.

6458. To your knowledge has that grain whiskey borne the name of "Whiskey" in Scotland now for a great number of years?—Yes.

6459. Sometimes it is called grain whiskey?—In Scotland in the olden days you would go in and ask for a glass of spirits and not for whiskey.

6460. You say a Scotch whiskey should be made in Scotland from cereals, and that pure malt whiskey should be made in pot stills from malted barley only?—Yes.

6461. Give me your knowledge of the Irish pot still whiskey. There is in Ireland some pot still whiskey not made from malted barley, is there not?—There are two or three whiskies made from pure malt in Ireland, the same as in Scotland. But the great majority of the distilleries in Ireland are what are called mixed grain—so much malted barley and so much corn and wheat and unmalted barley.

6462. Do you see any benefit or any advantage in causing such Irish whiskey to be designated accord

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ing to its composition?—I think if there is to be any designation of Scotch whiskey as a blend of malt and grain that it should also apply to the Irish pot still whiskey where the blend takes place in the mash tub, whereas we in Scotland make the whiskey entirely separate, we make our pure malt whiskey and our grain whiskey and we blend those whiskies afterwards, and the blends are made so as to give the flavour to suit any district or any palate. In Ireland in the pot still they use so much malted barley and so much unmalted grain in the mash tub.

6463. I want to know about this Irish pot still whiskey. We have received evidence to the effect that there is some Irish pot still whiskey not made from malted barley; would you have that designated so as to let the public know it was not made from malted barley?—Yes.

6464. What sort of designation would you suggest?—You would call it malt and grain.

6465. When it is not made from malted barley in the pot still, what is it made from?—When it is not made from pure malt it is made from malted barley and unmalted grain, unmalted barley and unmalted grain and unmalted rye. It is usually malt and corn, and there is sufficient malted barley to cause fermentation.

6466. What is the effect of the flavour on that when you have the unmalted cereal brought in?—It is an entirely different flavour. It is distilled at a much higher strength than the pure malt. Irish whiskey made in the pot still from malt and unmalted grain is sold at 25 degrees over proof, and pure malt made in Ireland and pure malt made in Scotland is sold at 11 over proof. The one is distilled somewhere about 30 to 50 and the other about 14 to 18 over proof.

6467. Have you any practical knowledge of the Irish distilleries?—Except that I have visited nearly every distillery in Ireland.

6468. But it does not come in your business?—No.

6469. You have told us that you much prefer a malt and grain blend. Have you had cases where, having delivered to your customers a pure malt, they have returned it to you and asked you to take it back and replace it with a blend?—When the prosecution took place at Islington it created quite a sensation among the public and people wanted a pure malt whiskey. Many of our customers wrote for pure malt and we had to duplicate every price that we had from about 3s. 6d. right away to 16s. in bond. We had to duplicate our prices with pure malt. We had dozens and hundreds of letters asking us to send it back and send the old blend—not pure malt. They have all gone back to the original blend they had before the prosecution at Islington.

6470. (*Dr. Cushny.*) Was the pure malt that you gave them newer?—Yes, it would be newer than the grain because you could use older grain. Your prices are fixed. It is not a question of the enormous profit on the malt and the grain, but you have a certain percentage of profit on all your whiskies which covers your expenses in London.

6471. (*Chairman.*) To what do you attribute the return of the pure malt—was it because it was pure, and therefore more strong and more pungent, or was it because it was newer?—No, they preferred the more silent flavours of the blended whiskey to the high flavoured pure malt. You cannot use pure malt as old, and you therefore use a very much older grain.

6472. (*Dr. Cushny.*) Do you think it was the newness of the whiskey?—No. The public do not like pure malt whiskey pure and simple.

6473. (*Chairman.*) We have had certain suggestions made as to certain designations that should be given to classes of whiskey in the course of its sale. Do you know of any designation of whiskey as it exists which, if made, would be advantageous first of all in the public interest?—I doubt very much if any description that was put on would be any benefit to the health of the public or any benefit to the public. People go into a public-house and ask for two pennyworth of whiskey, and the man who is selling that whiskey cannot tell you what is in it. It is impossible to put it on a glass. If you buy a bottle of whiskey with a brand on it the public know the firm's name is on it, and they depend on it. I do not think there should be any interference with the present arrangement with regard to selling and labelling the whiskey.

6474. Supposing you hold that the patent still grain whiskey is entitled to the name "Whiskey," if the patent still people are entitled to use the word "Whiskey," then *a fortiori* the pot still people are entitled to use it. Therefore the word "whiskey" would be a common designation for both?—Yes. I think whiskey is a spirit commercially known as whiskey. It is an article known commercially as whiskey. It is not alcohol, as the chemist would put it, but it is a spirit with certain ethers, and those ethers give the flavour to the whiskey. If you take rectified spirit it has no flavour, the ethers are all taken away. The chemist would say that these ethers were poison. We say it is impossible to take away sufficient of these ethers from a pot still to tell what it is. We say that is what gives it after it is kept a certain time in the wood that lovely bouquet that you have in old whiskey.

6475. Let us put the blend out of consideration for the moment. What would be conveyed to the public if they saw on the bottle from which the whiskey came "Pure Malt Whiskey" or "Pure Grain Whiskey?" What would that convey to an ordinary English drinker?—I do not think it would convey anything. He would simply take the one he was in the habit of taking, and which he liked best. The public know very well what they are drinking and what they like, and whether you name it pure malt or whether you name it grain they would prefer the blend.

6476. They know what they like, but they do not know whether it is grain or malt?—No, but I do not think it would make any difference supposing they did.

6477. If that is the only designation, grain and malt, the difficulty of designating the blend becomes greater still?—Certainly.

6478. As you say, you are unwilling in the interests of the trade now, as distinguished from the interests of the public, to publish the details of your blend?—Certainly. Every firm would object to the secrets of their business being given.

6479. It may be that the blend you have described is a secret?—Our firm, not ourselves alone, but every firm in the trade, have their own particular blend, and it is not fair for an opposing house to see somebody else's blend described on their labels. It is not fair for me to copy it or for somebody else to copy it.

6480. Does the name of the blender ever get attached to the whiskey?— Yes, it is the name of the firm that gives the people the guarantee that the whiskey is good.

6481. That is not what I mean. We have heard of Glen Livet whiskey and Jameson's whiskey, and so forth. Does the blender's name sometimes adhere to the whiskey so as to give it a high character?—If you had a blend you would not have the distinct whiskey at all. It would be a Glen Livet blend, but it would not be one distinct whiskey.

6482. If you discovered a particular blend that you thought was perfection, would that be called Greenlees whiskey?—Yes.

6483. By virtue of your blend?—Yes, it would become to be known as Greenlees whiskey or Greenlees blend.

6484. Has that come into existence?—Yes.

6485. The blend character?—Yes.

6486. What are the cases in which the blend characters come into existence?—We have repeated names, but each firm's name is known with it. People go and ask for Greenlees whiskey or Buchanan's whiskey, or Walker's whiskey, and they get it.

6487. But do they ask for it by virtue of the name of the blenders' firm?—Yes.

6488. I must not ask you which are the most eminent, but there are blenders whose names you can give?—Yes, I can give you a dozen.

6489. I do not know whether you are quite impartial as between the public and the trade, but have you had suggestions made to you whereby the public would benefit by these declarations being made before they bought?—No, I do not think it would make any differ-

ence to the public whether it was labelled or whether it was stated exactly on the label.

6490. With regard to the prices of the whiskies, we know they vary very much both in the quality of the same whiskey and the variations in the different classes of whiskey?—Yes.

6491. The public ought to be protected from paying more or paying the same price for a cheap whiskey that they pay for a dear one?—If you take six or twelve of the best known brands in England, whiskey sold to the public at 42s. a dozen (3s. 6d. a bottle), or at 48s. a dozen (4s. a bottle), each firm has a 3s. 6d. whiskey and a 4s. whiskey, and these whiskies are to all intents and purposes worth about the same money to the middle man who sells them. The cost of that whiskey would not vary 2d. a gallon between any 12 blenders. I can give a whiskey that the retailer would sell for 42s. The public is not losing. The public is getting good value at 42s.

6492. I want to get upon the Notes the quantities of the materials that are employed in the manufacture of Scotch whiskey. Would you hand in those figures?—Yes.

	Malt. Cwts.	Unmalted Grain. Cwts.
The 150 distilleries in Scotland used	2,517,330	1,336,611
The 28 distilleries in Ireland used	674,169	1,198,959
The 8 English distilleries used	262,098	735,388
	3,453,587	3,270,858

But in addition the English distillers used:—

Molasses	982,569 cwts.
Glucose	2,903 „
Sugar	345 „
Other materials	8,059 „
Total of of materials other than grain.	993,876 „

6493. Where did you get your returns from?—From the Blue Book that is published by the Inland Revenue.

6494. Is it published annually?—Yes. Anyone can go and buy it.

6495. There are 150 distilleries in Scotland using malt. For what period is this?—It would be up to the 31st March, 1907. It is the last published Blue Book.

6496. 150 distilleries in Scotland used 2,517,330 cwts. of malt, and 1,336,611 cwts. of unmalted grain. The 28 distilleries in Ireland used 674,169 cwts. of malt, and 1,198,959 cwts. of unmalted grain. Then the eight English distilleries used 262,098 cwts. of malt and 735,388 cwts. of unmalted grain. The result is very nearly equality—3,400,000 cwts. of malt, against 3,200,000 cwts. of unmalted grain?—Yes.

6497. Then in the English distilleries there is an item of 982,569 cwts. of molasses, and there are other small quantities of other materials?—That is so.

6498. Do you recollect at this moment with regard to the 150 distilleries in Scotland whether the pure malt distilleries are confined to the larger distilleries, or is it generally all over Scotland?—The malt is all over Scotland.

6499. As it stands at present, the malt is a very much greater consumption, but does that also represent the distinction between pot still and patent still?—Yes. In this figure of malt the Inland Revenue do not separate it. In this two million and a half cwts. there is the quantity of malt used in making patent still whiskey.

6500. That is making whiskey both in the patent still and in the pot still?—Yes. It is about 30 per cent. of malt in making grain whiskey.

6501. Are you anxious to get rid of the distinction, when the whiskey is sold, of Scotch whiskey and Irish whiskey, and retain the name of "Whiskey" only, or would you still keep the distinction of Irish and Scotch?—I should say that all whiskey made in Scotland should be Scotch whiskey, and all whiskey made in Ireland should be Irish whiskey, and that all English spirit, if made from cereals in England, should be called English whiskey.

6502. If we are to say there is to be any designation would you object to whiskey made in England being designated Scotch or Irish?—Certainly, I should.

6503. Should the publican or the person who is selling have the obligation cast on him to tell the customer whether it was Scotch or Irish?—Certainly, the public should know whether they are getting Scotch whiskey or Irish whiskey and not English spirit.

6504. If a person goes in and says: "I want whiskey," and does not ask for Scotch or Irish, is the publican to say: "Which will you have?" or is he to do as he likes without asking?—To do what he likes. But the public generally ask for Irish or Scotch. If a man went in and asked for "Whiskey" the publican would very likely give him what he had most of—either Scotch or Irish.

6505. (*Dr. Horace T. Brown.*) It might be English?—No, because I do not think there is any English whiskey made from cereals.

6506. (*Dr. Adeney.*) We have had it suggested that there is some whiskey sold as Scotch whiskey which is made in London?—There is English spirit sold as Scotch and Irish whiskey and blended. There is no doubt about it.

6507. (*Chairman.*) Irish whiskey is not made in such large quantities as it was?—No.

6508. Therefore there is not such a demand for it as there was?—No, not as there was 20 or 30 years ago.

6509. What do you say as to the propriety of having a close time for whiskey during which it shall not be sold?—I have no objection whatever to an age limit being put on. The difficulty comes when you pay duty on it. If you make it two or three years I have no objection to it myself personally.

6510. Would you say that first as regards both the classes of whiskey, patent still and pot still?—Yes.

6511. Would you have the same period of prohibition for both of them?—If you said that no Scotch whiskey or Irish whiskey should be allowed out of bond till it was two years old, either grain or pure malt.

6512. Your limitation would be the same, two years?—Either two or three. I do not mind saying three.

6513. What would be the advantage to the public in that?—The advantage to the public would be that the seller must guarantee his whiskey to be at least three years old.

6514. And it would be healthier?—It would be healthier.

6515. And more suitable to the palate?—Certainly. The older it is the better it is for you.

6516. But *prima facie* there would be a loss of capital to the trader?—Yes; it is in favour of the larger capitalist.

6517. But he gets a better article to sell?—Yes.

6518. Upon which he would be entitled to charge a bigger price?—An extra profit.

6519. So he would get back that capital, which is not to be employed for three years, by the increased price?—The age of whiskey at present sold is very much more than two or three years.

6520. What is about the average?—I do not know that I could give you that with any degree of certainty, but I could give you my own figures. Over four to eight years old it would be about 75 per cent. But there is a large quantity of other whiskies which we sell to wine merchants and brewers new which they keep in bond to mature.

6521. You say 75 per cent. would be over four years old or older as you sell it for consumption?—It would be over four years.

6522. When your customers write to you, do they ask for either particularly old or a given number of years' old whiskey?—As a rule they generally order whiskey at a certain price, and according to our price list they have got the age of that whiskey.

6523. They have your price list?—Yes, with the ages of our whiskey opposite each blend, and they order a whiskey at a certain price.

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6524. You have something to say as regards foreign spirit. Is there any whiskey imported into this country or something which is called whiskey from abroad now?—Yes, there is a large quantity of German and Russian spirits.

6525. What do you say first as to composition? Do they at all follow our whiskey?—No, they are not whiskey at all; they are made from beetroot, and potatoes, and roots, and chemicals. They get the fermentation by chemicals and use roots.

6526. They do not come within your definition?—No.

6527. Where does their name of "whiskey" come from? Is it taken in order to compete with our real whiskey?—It is taken to compete against our Scotch and Irish whiskey.

6528. Is the name given by the importer here, the Englishman?—It is given by the Englishman when it comes in here, but there was a large quantity of this foreign spirit used for methylation.

6529. Do you say that it should be prohibited altogether?—It should be prohibited altogether being sold as whiskey. You could trace it by the Customs and Excise.

6530. If it comes in under a proper name you could not prohibit the importation of it. What you mean, I think, is that, when the English owner tries to sell it, he should not be allowed to sell it as whiskey?—Yes, certainly, that is what I say.

6531. We must find some machinery for that?—First of all, it would come into the Customs and would have to be passed out of the Customs with a document saying "This is German spirit." You would follow that permit wherever it went. Supposing a publican bought a puncheon of this spirit he would have to show where it went to.

6532. Would you have anything approaching an analyst's proof showing that it did not come up to your standard?—No, you would simply trace this spirit.

6533. You must have some test. According to you everything that came from abroad ought not to be sold as whiskey whatever its composition?—But supposing you trace this to a man, according to his books he must be able to show what he has done with it Supposing a publican bought a cask of German spirit?

6534. As you say, it no doubt is the case that German spirit does not come up to our definition of whiskey. But supposing a person comes and says: "We are making it from grain," you must test that statement and give him an opportunity of showing it is so unless you say that everything that comes from abroad is not whiskey?—I have not considered that question yet, but knowing German and Continental spirits at present, I say they are not whiskey at all.

6535. You take things as they are now?—Yes.

6536. But there would be practical difficulties?—Yes, there would be a difficulty if they were made from malt. They might make pure malt in Germany.

6537. As things are at present you would have certain permits to be used by the Customs or by the Excise, and you would provide that the persons to whom it is sold should have a copy of that permit?—Yes.

6538. And be answerable for selling whatever it may be in accordance with what is designated in the permit?—Certainly.

6539. I believe you are disposed to set your lance against the analysts? You do not think much of them?—I do not.

6540. I will let Dr. Brown deal with that?—I do not believe it is possible—in fact, I am positively certain I could make up a blend in my place and the analysts would not be able to tell me anything like what the proportions of it were. They would give a certificate that it was most beautiful old mellowed whiskey with a large percentage of grain whiskey in it.

6541. (*Dr. Horace T. Brown.*) You have already given us some particulars in your *précis* of evidence of analyses of whiskey that you have had made. I have not had time to look into them very carefully. Will you kindly describe what you have referred to in your *précis* on this subject?—I have no faith whatever in any analysts' reports upon whiskey, and I consider that retailers should not be convicted in any criminal court upon such reports. As you know, it is always a criminal prosecution. I am not a chemist myself, but I give three analyses of the same whiskey by three chemists which are entirely different.

6542. Are those what you referred to as A, B and C?—Yes.

6543. Identical samples?—Identical samples.

6544. As you are aware the results depend to a great extent on the method of analysis?—I am not a chemist at all.

6545. You do not know what methods were adopted?—No. They must be entirely different, because the results are entirely different.

6546. They are expressed in different terms?—They give the higher alcohols in different proportions. In one case one analyst gave 155·5, and in the other case another analyst gave 243·3. Then for acetic acid one analyst gave 24·9, and another analyst gave 19·7. Then with regard to C, you cannot compare that with the others, because it is a different thing altogether. I say it is quite possible for a chemist to take a blend of pure grain and pure malt whiskey and he will give you entirely wrong proportions. He cannot give you the proportions.

6547. (*Dr. G. S. Buchanan.*) He might say it was all malt?—He might. Here is one of them saying it is all malt. He says: "These figures are such as are obtained by the analysis of good malt whiskey of considerable age."

6548. (*Dr. Horace T. Brown.*) I will put the question in another way to you. Assume for a moment that the analyst had a method which was capable of giving constant results in his hands, and in the hands of other analysts, do you think it is possible at the present time to establish an analytical standard which would differentiate, in the first place, grain whiskies from malt whiskies, and, secondly, blends of those from malt whiskies?—No. Supposing he takes one individual pure malt whiskey and a blend of pure malt whiskey he cannot tell which is the individual and which is the blend.

6549. You mean that no standard is possible?—I do not think so. I am not a chemist, but taking whiskey as what I call it, with the ethers and everything else in it, I do not think it possible for a chemist to do it. I knew Mr. Allen, of Sheffield, very intimately, and he tried all he could by his process, but it is a most difficult thing. A chemist as a rule goes for pure alcohol. We do not consider whiskey a pure alcohol at all. We say it is a commercial article known as whiskey.

6550. That is scarcely a fair way of putting it. The analysts, in these cases, have not given you pure alcohol, but they have attempted to establish a standard of the so-called impurities?—They are impurities from a chemist's point of view, but I do not call them impurities. They have tried the same thing here but they have never got hold of it. They have never been able to get a bottle or a gallon of these furfurals, or anything like that. They never can get a gallon or a bottle of it, or sufficient for them to take and analyse it.

6551. Just refer once more to your definitions. I am not quite clear from your *précis* what is exactly your position with regard to the matter. You state "Grain whiskey, having been made in the same form of patent still in Scotland for 78 years, and sold as grain whiskey, it cannot now be designated by any other name." Do you mean to say by that that a grain whiskey has no right to be sold simply as Scotch whiskey?—Yes, it must be Scotch if made in Scotland. A patent still whiskey made in Scotland and sold as grain whiskey could not be designated by any other name than grain whiskey.

6552. But you would allow the patent still whiskey to be sold as Scotch whiskey, would you not, without the designation?—Yes, without the word "grain." Here are labels we have put on for this purpose. (*Producing several labels.*) One is all grain and one is all malt. The still shows the designation and the two stills together shows the blend.

6553. (*Dr. G. S. Buchanan.*) You were speaking of the use of analyses. Have you any experience of utilising analyses for the purpose of checking whether a given blend of whiskey, a bottle whis-

key of the same character year in and year out, has been tampered with or adulterated by the retailer?—No, we have no experience of that. We can always tell, in the case of a bottle of our whiskey, if the cork is drawn and the bottle is filled up by a tap whiskey.

6554. You can tell that by the taste?—Yes, without analysis at all—better than analysis.

6555. Could you do that to 10 per cent.?—Yes, I think you would. It would not be worth the man's while to take the trouble to fill the bottle unless he put in 50 per cent.

6556. If the analyst was able to come to your assistance in that matter I suppose it would be a useful thing for the trade?—We should be delighted if we could find an analyst who could tell us—not only on the question of selling, but there are various things that arise at different seasons in whiskey, and we would give anything if we could send our whiskey to an analyst and find out why it differed this season from the last. We have to go on and say it is the barley or the sun. We should be delighted if we could find a chemist who would show us satisfactorily that he could tell us within 5 per cent. with a blend of 50 per cent. that there was a grain whiskey in it.

6557. But my question is whether it would not be at the present time a feasible business, in the case of a standard blend or standard whiskey of the same characteristics year in and year out, to detect small but significant deviations from that particular quality?—You mean in the case of a retailer filling it up.

6558. By a chemist knowing the analyses of the genuine article at different times, and then by having these to compare with the exceptional sample?—We should be delighted if we could find a chemist to do it, but we have tried every chemist we could lay our hands on. I had Mr. Allen, of Sheffield, years ago going through every one that we sold, and testing every one, but he never could tell. If we could get one who could do it we should employ him regularly. It is the most difficult thing in the world to keep the seasons regular.

6559. You said your custom was to make a number of blends of whiskies of some particular locality and quality, that is to say, a number of blends of Highland whiskey, and so on?—There are 20 distilleries in Campbeltown. I am very sorry the Commission could not go and visit Campbeltown, because it would have been very interested. There are 20 distilleries within half a mile of one another. The whiskies of all those distilleries differ to a certain extent although they are made exactly the same way. Two distilleries next door to one another will make a whiskey of a different flavour.

6560. But Campbeltown whiskey as a whole has a general character of its own?—Yes, but the different distilleries vary. We blend them and put them together.

6561. Can you tell me whether the main object of that is to get a particularly excellent quality of Campbeltown whiskey by the blending, or is the main object to place your orders with a sufficient number of firms?—No; certain distilleries have more flavour than others, and you get at a fair average Campbeltown whiskey. In the Glen Livet district the produce of six or eight or twelve Glen Livet distilleries all put together will make a better whiskey than any distinct Glen Livet whiskey—a more regular whiskey.

6562. You were telling the Commission about the declaration of the proportions of grain and malt whiskey in blends. Would the mere declaration of the proportions, so much grain and so much malt, give away any trade secret at all?—It would not give it all away.

6563. Would it give any of it away?—It would give the other houses the opportunity of getting near the quantity of grain, and then they could build up other whiskies.

6564. The mere statement so much grain and so much malt?—Yes.

6565. Notwithstanding all these elaborate blendings from different distilleries?—It would assist considerably. You would not get at it exactly, but it would assist considerably.

6566. I gathered from you that you thought 50 per cent of malt, or over, represents a rather better character of whiskey than under 50 per cent.?—Yes, but it would all depend on price.

6567. Do not you think it would be some advantage to the consumer under those circumstances if he did know that a particular blend contained above or below 50 per cent.?—I do not think so. They would go for the blend that they would prefer. Supposing you sold another one of 60 and 40 they might prefer that one.

6568. You would have them trust the blender entirely?—I would. They would trust the blenders to buy the best quality and blend it in the best way they possibly could, and sell the oldest and best whiskey they possibly could to the public.

6569. You do not consider the public would benefit by any description?—I do not think so. I do not think they care anything about it.

6570. Is not that against the tendency of recent times?—I do not think so. I do not think the public care. They like the whiskey of the flavour that pleases them.

6571. Is not the same thing urged whenever any question of that sort arises? For instance, with regard to the description of butter, or margarine, or coffee, or chicory, exactly the same argument is invariably used: "Trust the trader"; and the trader might in a great majority of cases be trusted, but at the same time the tendency surely has been to require that the customers and the public should be informed when there are distinctions and corresponding differences in quality or differences in price?—Certainly. It is easier to analyse butter and various things of that kind than it is to analyse spirit.

6572. You should ask a butter analyst on that subject. Now one question about the publican. Do I understand that the publican generally buys his whiskey ready blended?—Yes.

6573. You, for instance, in your firm would supply blends at a particular price?—Yes.

6574. He does not buy grain whiskey to blend himself?—You mean the publican?

6575. Yes?—He buys the blend.

6576. He does nothing to it but sells it?—He adds water to it to reduce it.

6577. Can we take the case of a brewery company? Does the brewery company buy grain and malt whiskey for blending on the brewery premises?—In some cases, but the great majority will buy blends.

6578. And issue it to their houses in the same form that they get it?—Yes, presumably.

6579. Do they sometimes deal with more firms than one?—Yes, and a wine merchant may do the same. He may buy it from two or three blenders and blend the blenders' whiskies in such a way that suits his customers.

6580. I do not know whether I followed you rightly, but I gathered that you said the different prices of whiskey as sold at a public-house would correspond to particular differences in quality, and there would be more malt whiskey in the higher price than in the lower price?—Certainly. A price was given in some of the evidence before the Commission. It was calculated that a man got paid so much for whiskey that he sold for 2d. and so much for whiskey he sold for 3d., 4d., and 6d. The witness was calculating that that was all the same class of whiskey. A man who sells a 4d. or 6d. whiskey to people would not get them to drink the 2d. or 3d. whiskey.

6581. But there is a class of publican's whiskey that you do not regard as exceptionally high class?—No. If you go and ask for two pennyworth of whiskey you cannot expect to get much. If you pay 6d. you expect to get a decent whiskey.

6582. But at the ordinary price at which it is sold, say 3d. a glass in London, do you think you can always trust the person behind the counter to give you a good quality?—You would get one of the blending firm's blends for 3d.

6583. You know of the custom of putting notices in public-house bars stating the fact that a spirit is diluted, or a spirit does not profess to be what it may be thought to be?—There is a bill in public-houses which says: "This whiskey is diluted," and

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that prevents the publican being prosecuted if it is below 25 degrees under proof.

6584. I ask you that because in your *précis* of your evidence I see that you take a strong objection to any description being given to the customer over the counter?—I have no objection to doing it, but, as I think I say in my *précis*, it is almost an impossibility to do it.

6585. But the publican does take the trouble to do it?—If there is a bill intimating that "spirits sold at this establishment are diluted" that is to prevent the question of the whiskey getting below 25 under proof and leaving the publican open to prosecution. You could hardly have a bill in a public-house saying "this is a blend of so much grain and so much malt," because it would not apply to his different brands. He might have a blend of 75 per cent. malt and 25 per cent. grain, or a blend of 25 per cent. malt and 75 per cent. grain, and this notice could not apply to them all. The public would not pay him 6d. for a cheap whiskey.

6586. (*Dr. Adeney.*) I have been asked, first of all, to put some questions on behalf of Mr. Guillemard, who unfortunately is unable to be present here this morning. Assuming the same materials were used, would there be any marked difference in characteristics between English, Scotch and Irish spirits made in patent stills?—Yes, certainly, there is a considerable difference between all the grain whiskey distilleries in Scotland. The water has a great deal to do with it.

6587. Using the same materials?—Using the same materials within a quarter of a mile of each other. I know great differences in two distilleries I have got to deal with and each year it is the same. That is one position where the blending comes in. Each season's distilling is different from the other on account of the malt.

6588. How would you describe that difference?—In flavour. It is wiser to use whiskey of certain different years rather than all of one season. Some seasons you will get very fine barley malt and sun dried perfectly. Another season like last the barley is not nearly so good. It does not give you the same produce, and it is an advantage to blend the different seasons.

6589. Would you say those differences were marked?—Yes. The difficulty is to test it. We have to keep it in mind that it is the year before. The whiskey is a year older and you are testing it against the next year.

6590. Could any real objection be raised to blending patent still spirit made, say, in Scotland with spirit made from similar materials in England or Ireland?—It would all depend on the water. They tried to make whiskey in Wales, but it was a great failure. It is the water to a very great extent which is so important with regard to whiskey.

6591. Do you mean they could not make a patent still whiskey in Wales?—Oh, yes, you could; but that was a pot still. Welsh whiskey was never any good although the Welshmen tried all they possibly could to sell it; they could not sell it at all; the public would not drink it.

6592. Would you prohibit the blending of English, Scotch and Irish spirits in bond?—I should object to English, Scotch and Irish being sold as Scotch, or English and Scotch being sold as Irish.

6593. You would prohibit it?—Yes, I would prohibit the blending of English spirit with Scotch and selling it as Scotch whiskey.

6594. Would your opinion be acceptable to blenders generally?—Yes, certainly, I think every blender would agree with me.

6595. Seeing that molasses and other materials have from time to time and for many years been largely used in Scotland in the manufacture of what was presumably treated as "whiskey," is your proposed definition of "whiskey" wholly justified by the history of the subject?—When has molasses and glucose and sugar been used largely in Scotland?

6596. We have had some evidence to that effect?—At one time they tried something, but only as a sample. But how much molasses has ever been used in Scotland? In what Blue Book is it? I should be delighted to look it up, because I have not seen it. This Blue Book is a public book that anybody can buy, I suppose.

6597. Your definition would exclude whiskey or spirit made from such things?—Yes, most decidedly. I say whiskey, either Scotch or Irish, is a spirit made from cereals only.

6598. With regard to the sale of German spirit as whiskey have you any real knowledge as to the extent to which that is done?—No; it is impossible to know it. It is all duty paid. You have to pay the duty on it; you cannot blend it. No blender could blend German spirit and Scotch spirit.

6599. You are under the impression it is done?—I have no doubt it is done. You have to follow it, but I believe it is done and it is done duty paid.

6600. You have some reason for believing it?—You could not take it as evidence because I could not swear to it.

6601. Seeing that spirits sent from bond for consumption are more generally removed to dealers than to retailers and that any preparation of German spirit for sale as "whiskey" would most probably be done at the dealer's premises, of what real value would a reference to the Inspector of Food and Drugs be?—They would follow it by a permit, and then the retailer's book would show it was German spirit, and he would be asked what he had done with it.

6602. Would that be practically possible?—It would give the Excise or Customs a lot more trouble, but it would be practicable.

6603. You could not do it by the existing machinery?—Yes, you could, but you would require more officers, because every retailer's premises would require to be visited much more often.

6604. If there were a minimum time limit with regard to the bonding of spirits for consumption, how would you deal with spirits for rectifiers, and manufacturing chemists?—That is one of the difficulties, and it is the same with gin. The difficulty comes in when you begin to limit. How are you going to let it out for making gin? It is no advantage to keep the spirit you rectify to make gin. That is one of the difficulties you would have to follow if you had a time limit. I have not the slightest doubt but that it could be got over, but that is one of the difficulties.

6605. Now I should like to ask you some questions on my own behalf. You say in your *précis* of evidence: "Irish whiskey unblended, which formerly held the taste, gradually declined in public favour." Is there any practice in blending Irish pot still whiskey at the present time?—Yes, a very large practice. Any Irish whiskey we sell we have always blended for the same reason that we blend Scotch whiskey.

6606. Does that extend to Jameson's whiskey and Power's whiskey?—Yes.

6607. That includes Dublin pot still whiskey?—Yes. we blend them all for the same reason that we blend Scotch. The flavours in Dublin and Cork are all of a different character, and we blend them together and sell Irish whiskey as a blend.

6608. You sell that as Irish whiskey?—Yes, certainly.

6609. Have you a considerable sale?—Yes.

6610. (*Mr. G. S. Buchanan.*) Do you always blend Irish patent still spirit with that?—Yes.

6611. Not Scotch?—No. We sell Irish whiskey made in Ireland and Scotch whiskey made in Scotland, and we treat the patent still and malt exactly the same.

6612. (*Dr. Adeney.*) You made a remark with reference to a question the Chairman asked you as to the fall in the Irish trade and the rise in the Scotch blending trade, and you referred to educating the taste of the English. What did you mean by that?—By educating the public up to a blended whiskey of a pleasant description.

6613. Is it not fair to say "down to a blended whiskey"?—No, educating it up, most decidedly.

6614. You did not wish to give the impression that that was educating the taste to a cheaper whiskey?—No, the other way about. That is one of the things that has come out. There has been a lot talked about blending, as if it was a crime. I do not see how it is a crime. The Scotch whiskey trade at the present

moment, if it had not been for the blender, would never have been in the position in which it is. It was educating the public up to a real Scotch blend which was pleasant and nice, and everything else.

6615. And which could be retailed to them at a reasonable price?—Yes.

6616. (*Mr. J. Y. Buchanan.*) They would not drink pure pot still whiskey?—As a rule they do not. If you are shooting up in the North you could drink there the whiskey that is made in the district. If you are in Islay you can drink it and enjoy it, and Jura the same, but when you come to England with your different habits you cannot drink the same oily whiskey of the North as you can in the Highlands when out in the fresh air.

6617. (*Dr. Adeney.*) I quite follow the evidence you have given us on the ground of what I may call legitimate blending, but what troubles me is this—how to protect the consumer from bad blends: that is to say, blends of new whiskey?—That is where the Commissioners' difficulty will be. It is a very difficult point.

6618. You refer to your grain whiskies as being valuable to mix with your malt whiskies. Do you refer to the highest graded of grain whiskies?—Yes, all the grain whiskey made in Scotland is very good and very pure.

6619. Is it possible to sell in an unblended condition all grain spirits produced in Scotland?—Yes.

6620. Is it done, as a matter of fact?—Yes.

6621. Is there a trade in that?—Yes, there is a trade here. I have produced a label here showing nothing but pure grain whiskey.

6622. That is not any picked grain spirit?—No, it is a blend of the grains. You get the grains better by blending them, the same as you do malts.

6623. In other words, grain spirits vary considerably?—There is nothing like the difference in them that there is in the malts.

6624. But they do vary?—Yes.

6625. I suppose, for the protection of the consumer, it would be impracticable, in your opinion, to put a minimum limit on the amount of malt in a blend so that it may be legally termed a blend?—Yes, I think it is far better to be left alone. Let the blender and merchant supply the middleman with the best article he possibly can, and the competition would keep it.

6626. You base your definition of whiskey upon the materials—the cereals?—Entirely.

6627. Malted and unmalted?—Yes.

6628. But you exclude rice?—Yes.

6629. Why include maize?—I think rice is an entirely different thing.

6630. Rice is a cereal?—Yes, I know it is, but that is a difficulty. If it is a cereal, I leave it out because they make a spirit in India out of rice which is nothing like the spirit made from maize.

6631. Your definition would require a little limitation?—No, because I say the only thing required is unmalted grain. It would not come under a grain, and there is no rice used in Scotland. I had it in my *précis* "Rice excepted."

6632. I only wanted to know what was the reason for including maize if you excluded rice?—I think they are entirely two different things. The maize will make good spirit and the rice will not.

6633. It will make a good patent still spirit?—Yes.

6634. But it will not make a good pot still spirit?—I do not know that it has ever been tried.

6635. They have tried in America?—I do not know. You can make it in the pot still.

6636. You would not be inclined to confine the word "cereals" to cereals indigenous to the United Kingdom?—You could not supply it. Where would Scotland be? You do not grow sufficient barley in England or Scotland to supply anything like the quantity they want. Take a season like last season. Three quarters of the distilleries would be closed.

6637. That definition would not limit you to British grown barley?—Take barley at the present moment. Scotch barley is not nearly so good as foreign this season. Sometimes it is very much better. Why keep out the Danish Chevalier barley?

6638. You would not keep that out under the head of "cereals indigenous to the United Kingdom"?—I thought you meant grain.

6639. Is there any real reason except the question of cost for including maize?—You could grow maize in this country, but it would not pay. The Americans grow it so much better and send it over so much cheaper than we could do it.

6640. What I want to get at is why maize is used in patent stills in this country. Is it entirely a question of cost of production?—To a certain extent it is, and it makes a very good spirit. It is cheaper.

6641. The chief claim is that it is cheaper grain?—No, it would make as good whiskey as corn.

6642. It is cheaper?—You have a very much bigger market to get it from.

6643. With regard to your definitions of Irish pot still whiskies you would require them to be designated as malt and raw grain. That strikes me to be a little unfair?—I withdraw the word "raw grain." It is simply grain malted and unmalted. It would require to have some designation as Scotch—a blend of malted and unmalted. This word "raw" has got into my *précis* somehow.

6644. You used the word "grain" for defining your patent still spirit. You call that a grain spirit. If you use the word "grain" with reference to Irish whiskey you immediately introduce a suggestion of patent still?—Oh, no. What I mean is this, that in Scotland we make our malt whiskey in the pot still and we make grain whiskey in the patent still, and we blend the two together after they are matured. In Ireland you have a pot still, and in that mash tun you blend the materials—not the manufactured article after it is finished, but you blend the malted barley and the unmalted grain. It makes all the difference.

6645. That is not for the same purpose. I suppose you as an expert taster would agree there is something essentially different between the Irish pot still whiskey and the Scotch pot still whiskey?—Yes. Pure malt whiskey made in Ireland is very much the same as Scotch. You can hardly tell the difference. Of course, Irish pot still must be different because you have so much unmalted barley and unmalted grain in it.

6646. It may be possible that the Irish pot still distiller uses raw grain for the purpose of obtaining a certain flavour?—If he uses unmalted grain in his pot still.

6647. That has been his practice for many years past?—Yes, it has been.

6648. And it entails upon him a very costly process of distillation?—I do not think so. His process is exactly the same as the Scotch pot still.

6649. Have you seen an Irish pot still?—Yes, but it does not cost him any more to make it.

6650. You know, of course, there are at least three distillation processes in the Irish pot still and only two in the Scotch?—The difference in the cost is very little.

6651. I did not gain that idea from the evidence as to the difference of cost between the pot still and the patent still method of distillation?—I do not think there is much difference in the cost. I am not an Irish distiller, and have not gone into that.

6652. But you have put it in your *précis*?—If Scotch malt and grain are to be designated as so much malt and grain on the bottle I say the Irish should have the same, because it is unmalted grain.

6653. It is a new proposition to me coming from Ireland that Irish pot still whiskey should be known in any other way than it has been known for many years past?—You may call it pot still, but you cannot call it pure malt.

6654. No, I quite agree?—It is a blend of pure malt and grain in Scotland, and, therefore, it should be the same thing in Ireland.

6655. I cannot quite agree that the two processes of blending are similar in character or with regard to the objects to be obtained. You said that there is the same tendency which has been experienced in the English trade with regard to Scotch malt whiskies observable with regard to the taste for Irish pot still whiskey. Now, we have had a witness, a gentleman well known in Dublin, who gave us evidence some little time ago, and he said that so far as his knowledge

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was concerned it was impossible to get good Irish whiskey in London generally, and that when his English friends visited him and he gave them what he considered Irish whiskey they drank it with great pleasure and regretted they could not get it in London?—Many a Scotch friend tells me he cannot get a glass of decent Scotch whiskey anywhere in London. Hundreds have told me that.

6656. Is that the fault of the blenders?—I do not know at all. It simply means this, that he does not enjoy it so much in London as he does in Scotland.

6657. Do you know from your own personal experience whether the blending of Irish pot still whiskey is being carried on largely in the English trade?—It is a very large trade.

6658. Then with regard to this blending of spirits with patent still spirit, do I gather from you that the chief object is the reduction of the cost price?—No, I do not think the object is the reduction of price. It is not the fact of getting a profit. You give a better, a more palatable and pleasanter article for a less sum, but not to make it a matter of profit.

6659. (*Dr. Horace T. Brown.*) Would you still use the grain spirit in your blend if it were dearer than pot still?—Certainly, for a certain purpose of putting them together.

6660. (*Chairman.*) You get the softness?—Yes. You take away the general character of the malt if it was all by itself. It puts them together.

6661. (*Dr. Adeney.*) I am more concerned now with the poorer qualities of blends that the ordinary customer in a public house gets. I may take it that the patent still spirit there is used practically for the purpose of producing cheap spirit?—Yes. Probably the best thing would be if you could put a limitation on, and if you said that no whiskey was to be sold under 6s. a gallon.

6662. Would that be a perfect protection?—It would be bound to be—leaving the blenders to do what they liked.

6663. You yourself said you would not drink these blends of new spirit?—No.

6664. Why do you say that?—Because I do not like a new whiskey.

6665. It is simply a matter of flavour?—It is simply a matter of flavour. I do not think it would do me any harm but I would not enjoy it.

6666. Have you any opportunity of observing the effects on different consumers of these new and matured spirits?—No. If I drink a whiskey and soda or whiskey and water I take it because I like it. If I had to drink perfectly new very common spirit I think I should do without it.

6667. Not from the fear of its after effects on you?—No, not from the fear of it doing any harm, but because I would not enjoy it.

(Adjourned for a short time.)

6668. (*Dr. Adeney.*) Before we adjourned I was going on to the question of analyses, but before doing so I want to put to you a question about your blends of Irish pot still whiskies. Could you give us any idea of the age of the Irish pot still whiskies you use?—3, 5, 7, and 10 years.

6669. Which would predominate? Would the 3 years?—In consumption I should say no, and I should say that the 5 years would predominate—it would be between the 3 and the 5 years. Perhaps the 5 years would predominate.

6670. I only wanted to make a brief remark about the analyses which you quote and which you very properly say are not consistent. I should like to point out that they augment some evidence which has been given to the effect that at present it is impossible to depend upon any chemical standard for the classification of whiskies, but I take it from you it would be of value if we could. You do think it would be of value if official methods of analysis were known, the results of which could be depended upon?—Yes, of enormous value; all blenders and all distillers would be delighted if there was a principle that could be shown to be correct.

6671. I ask you this question because Dr. Schidrowitz handed in a paper to us during his evidence in which I see he refers to the desirability of the formation of a Board of Reference composed as he suggested of hygienists, chemists, and representatives of various industries, and that this Board should decide whether the article is wholesome, and is correctly labelled, and that to them should be referred questions such as the analysis of articles of food, including spirits. Would you regard such a Board as of value?—Not at present.

6672. No, I do not mean at present, but if they could arrive at standard methods?—Certainly, if they could arrive at a standard method, or if you get at a standard—something which we could depend upon.

6673. Then you say its existence would be justified?—Yes, but you must understand that I am not a chemist at all. We have to work a distillery very much by rule of thumb, and we would be delighted if we could get some means of finding out what is wrong not only in whiskey but in beer, or anything else. As I said, if you can get a standard I have no doubt that every one of us would be delighted.

6674. (*Dr. Cushny.*) I think you stated that you thought that more of the blend could be drunk without intoxication?—Yes, more of the blend of malt and grain could be drunk without intoxication. It would be less if you have pure malt.

6675. Would a man get more intoxicated if he had more pure malt than if he had drunk the blend?—I think so.

6676. What evidence have you of that?—I have no evidence.

6677. That is simply an impression?—Yes, that is simply an impression. I have never tried it.

6678. I put it to you because it seems to me extremely improbable, but then you state that a blend is perhaps better than malt whiskey?—A blend is more suitable for a climate like England, and for those living under the sedentary habits that we do.

6679. Is this merely an impression?—I know it myself because I know perfectly well I can take more of a blend here with a certain proportion of grain than if I drank pure malt whiskey.

6680. You have tried the experiment?—Yes, I have tried the experiment, and I much prefer it; it is better for us.

6681. I mean in regard to old whiskey. Do you think it is better for you than new?—Yes, most decidedly.

6682. How do you know the difference?—It is much pleasanter.

6683. Is it less harmful?—Yes, certainly, and you feel very much better in the morning. I say that distinctly, anybody can try it themselves and experiment.

6684. We have had difficulty in getting evidence of it?—My idea is that the older you get your spirit the better for you, there is no doubt about it, and the lighter you can get that old whiskey the better.

6685. (*Dr. Adeney.*) That is the general experience of mankind?—Yes.

6686. (*Chairman.*) And in other matters besides whiskey?—Certainly.

6687. (*Dr. Cushny.*) What evidence have you that English spirit is sold as Scotch and Irish whiskey?—What is it sold as? It is made, and it is certainly not sold as gin. I was asked that same question before. I have no proof of it, but I know it is done. You cannot get proof of it.

6688. You suggest that this should be prevented?—Yes, any spirit made from molasses or other subjects should not be sold as Scotch or Irish whiskey.

6689. How are you going to prevent it?—The Excise can prevent it by following it up. If a publican in London gets three or four hogsheads a week of English spirit made from molasses you can find out what he does with it.

6690. But by that are you not going to add enormously to the labours of the Excise?—Certainly, but you cannot have any restriction on anything without adding to the labours of the Excise and increasing the Excise.

6691. I am afraid that is not practicable?—It is practicable, but it is a question of money.

6692. Is that for the benefit of the consumer?—Yes, it is for the benfit of the consumer, to prevent the selling of a molasses spirit, which does not mature, for Scotch or Irish whiskey.

6693. Does that do the consumer any harm?—I do not think it does him any good.

6694. That is not my question?—I have not tried it.

6695. (*Chairman.*) You spoke of the change of public opinion as regards strong whiskey. In former days I suppose whiskey was drunk either by itself, that is to say, drunk neat or drunk a good deal as toddy, but latterly the change has come of drinking it with aerated waters?—That is so.

6696. Has that change had any effect on the demand for the different classes of whiskey?—Yes.

6697. In what way?—In this way, that as to the whiskey that one would have for toddy the blend would not be the same blend as you would have with cold water or with aerated waters. The whiskey that would be used principally for toddy would have the predominating flavour of Islay, where you would have a strong peaty flavour, and you would get the aroma with hot water, but taken cold, or with aerated waters, you want more of a Glen Livet flavour—the predominating figure would be Glen Livet.

6698. Now you are giving examples. In what way would those two whiskies differ? Why does the blend of the Glen Livet differ?—It has more juniper than peat.

6699. The drinking of aerated water with brandy and whiskey is a custom of comparatively late years?—Yes, that is caused by the blends. It is a much pleasanter thing to drink a blend with mineral water than a toddy. If people came back to toddy they would have different whiskey.

6700. You say the blend is the cause and not the effect?—Yes, people have taken more to drinking whiskey with mineral waters than toddy. Toddy was a much heavier whiskey than the whiskey you drink with mineral waters. The blends have come now to be much more suitable for mineral waters than the distinct whiskies would have been.

6701. With toddy you would get the sweetness of the sugar with the warm water?—Yes, you would get a more oily flavour and a much higher flavour.

6702. We have got here two of your labels. You do on those labels differentiate the Scotch pure grain whiskey and the pure malt pot still whiskey. Why do you differentiate between them and not put "pure Scotch whiskey" for both of them?—There is another label which is a blend of the two, but the great consumption is of the blend.

6703. Never mind about the blend. You have Scotch pure grain whiskey, and according to you the pure blend and the pure malt are simply Scotch whiskey?—Yes.

6704. Why not content yourself by calling both those whiskies Scotch whiskey and leave the pure grain and the pure malt out?—Because if the public want grain there it is, and if they want malt there it is, and if they want a blend they have it.

6705. As between yourself, the distiller, and the merchant, you do give the information—the distinction between pure grain and pure malt?—Yes. The buyer knows exactly what he is getting.

6706. You do give to your merchant the information whether it is pure grain or pure malt?—Yes, if he wishes it.

6707. Then why cannot that be carried beyond the merchant?—You mean to the retailer?—

6708. Yes?—There is no reason why it should not be carried to him. The public get that label at present.

6709. Among what people does this label go?—It goes direct to the public.

6710. But they do not stick the label on their hats?—No, but it is put on a bottle of whiskey and sold in public-houses.

6711. Does this label go on the bottle?—Yes.

6712. Is it issued for that purpose?—Yes, that label is put on the bottle.

6713. Does this label go on the casks?—No, on the bottles.

6714. Do you supply it to the publican in considerable numbers?—Yes.

6715. So that each bottle shall have it on?—No, we put it on the bottle.

6716. Why do you put it on the bottle?—Because we bottle the whiskey.

6717. I know that, but for what purpose do you put it on the bottle?—Because some publicans' customers want a grain whiskey, and another publican's customers want pure malt, and another publican wants a blend.

6718. The publican would know that from your invoice? You give this only to the publican for his own information?—No, it is for the public.

6719. It does not stop at the publican?—The publican buys that bottle with that label on.

6720. The bottle stands in his bar with this label on?—Yes, or the man takes the bottle home with him.

6721. Then you are giving information to the public of the difference between these two?—But you do not give the proportions. I do not object to the public knowing that they are buying all grain.

6722. Do you object to it being obligatory to put on the bottle whether it is pure malt or grain?—I do not mind it being obligatory.

6723. You do not mind it being obligatory upon you to put it?—No.

6724. What do you object to?—I object to the proportions.

6725. I have not said a word to you about proportions. I am on those two things. Is there any objection to its being made obligatory upon you to put these two labels on the bottle to show whether it is pure malt or pure grain?—No.

6726. Now I understand your objection to the blending in proportion. (*Dr. G. S. Buchanan.*) Would you be disposed to go one step further? Would it be a very difficult matter or troublesome matter to have a dividing line with regard to a blend? Supposing you had a dividing line, say, of 50 per cent.?—I would object.

6727. Say malt whiskey blended over 50 per cent. and grain whiskey blended under 50 per cent.?—I would object, I would not like it.

6728. Would there be any particular harm in it?—I think there might be if you sold pure grain or pure malt, or a blend of malt and grain without entering into any details.

6729. From the evidence you have given there is a considerably better quality given when you have over 50 per cent. of malt than when you have under 50 per cent. of malt?—I do not think there should be any percentages given, but you should sell the one or the other or a blend of them both.

6730. (*Dr. Adeney.*) How do you distinguish between your two blends? You said you used different proportions of patent and pot?—Yes, in different priced whiskies.

6731. How is that distinguished in your label? Have you any distinguishing mark?—No; that is sold in cask.

6732. So that the consumer has no means of knowing?—No.

6733. If you sell a puncheon of whiskey you cannot follow that puncheon of whiskey till the consumer drinks it?—No.

6734. (*Dr. Horace T. Brown.*) How long have you issued this label?—Since the prosecution at Islington, because we were continually being asked for a grain whiskey.

6735. Up to that time you did not show whether it was a blend, or a malt, or a grain?—No.

6736. (*Chairman.*) I do not know if you have knowledge of the ordinary English purchaser. If he saw these two labels—"pure malt" and "Scotch grain whiskey"—do you think it would make very much difference? I understand people in Scotland who live near the distilleries would know, but do you think the ordinary customer would know the difference?—No. The principal part of the trade is one that is a blend of the two. The largest trade is in a blend of

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the Scotch grain and pure malt. When this prosecution took place there were continual inquiries for grain whiskey and pure malt whiskey, and we had to do something to meet what the public wanted. They can get either the one or the other, or if they prefer it they can have a blend of the two.

6737. Have you heard of any of the publicans' customers or of any of your customers objecting to using these labels?—No.

6738. As you say, if they sell it by the bottle a man can take the whole bottle home with him?—Yes.

6739. (*Dr. Adeney.*) Have you any label with you that you put upon your bottles of blended whiskey?—Yes. (*The label was handed to the Commissioner.*)

6740. This label does not protect you from retailers selling your poorer quality of blends for the better quality?—Do you mean in bulk—in cask?

6741. No, across the counter?—If he gets it out of the bottle.

6742. You sell different qualities?—Yes. If you sell the retailer a puncheon or hogshead of whiskey you cannot follow that hogshead or puncheon at all, and it may go anywhere, and you do not know how he is selling it. It is sold as his whiskey and not as ours.

The witness withdrew.

Mr. W. J. Seaman.

Mr. W. J. SEAMAN, called.

6743. (*Dr. Horace T. Brown.*) You have had considerable experience in the trade having joined Messrs. W. P. Lowrie and Co. in 1880?—That is so.

6744. You were also partner prior to the formation of the present limited Company, and since then have been one of the managing directors?—That is so.

6745. You are also a director of Messrs. James Buchanan and Co., Limited?—Yes.

6746. Messrs. W. P. Lowrie and Co., I believe, are malt distillers, general Excise bonded warehouse-proprietors and blenders and bottlers to the wholesale trade?—Yes.

6747. Besides their own Convalmore Glen-Livet Distillery they are closely associated with, I think, five other malt distilleries?—That is so.

6748. Then in your *précis* you tell us the amount you have blended during the six months from the 1st October to the end of March of this year in your warehouses?—Yes, we blended in our warehouses during that period 2,604,000 proof gallons. These are the Inland Revenue figures.

6749. How much pure malt was there?—Fully 60 per cent. of pure malt with an average age of quite seven years.

6750. What would be your definition of Scotch whiskey?—In the first place I venture to think Scotch whiskey should be made in Scotland and in Scotland only, and likewise correspondingly that Irish whiskey should be made in Ireland only.

6751. I may have some questions to ask you on your *précis*, but I think it better to take you right through it first. In reply to the question as to whether you consider the product of the patent still entitled to be described as whiskey or not you consider, do you not, that this depends on the material used and not on the construction of the still in which it is made?—That is my opinion.

6752. Then what would be your definition of Scotch whiskey as regards the mode of manufacture?—That it should be distilled in Scotland from a mash consisting of certain cereals—I do not think any cereals because I certainly do not think that rice should be employed. I have enumerated in my *précis* barley, oats, maize, rye, and in the case of Irish whiskey wheat. I put these in as these are the cereals that are habitually used at present in the manufacture of Scotch grain whiskey, and that the mash should contain not less than 30 per cent. of malt as is the practice in the manufacture of Scotch grain whiskey in Scotland at the present time.

6753. You are of opinion that such a spirit is not a neutral spirit, but is whiskey?—I certainly do not think that it is a neutral spirit. It has the characteristics of whiskey and undoubtedly matures with age.

6754. Will you give us the reasons you have for wishing to standardise the mash tun?—My principal reason for advocating, as I have done for some time, what virtually amounts to standardising the mash tun is that I consider it most desirable that the Revenue Department should recognise whiskey as a distinct product in the same way as brandy and rum are recognised as such. They are entered as brandy and as rum, and I think that Scotch whiskey should be recognised as a distinct product and not merely as plain British spirits.

6755. Would you adopt some other nomenclature for every other product of the patent still which is not manufactured from the specified materials with the specified proportion of malt?—I think these might still be known as plain British spirit.

6756. Is this advocated by the Distillers' Company?—No, I do not think they actually advocated it, but they certainly agreed to accept it. I sent you with the permission of the Chairman of the meeting and the Secretary an extract from a minute of a meeting of the West, South and East of Scotland Malt Distillers' Association, held in Glasgow on the 6th March last, at which Mr. William Ross, the Managing Director of the Distillers' Company was present. It will be observed from this minute that Sir Robert Usher's motion, as finally put, was carried almost unanimously, one gentleman alone dissenting.

6757. You consider it most important that some such course should be adopted in the interests both of the public and of all branches of the legitimate whiskey trade?—I certainly do.

6758. What have you to say about the use of molasses and other materials than cereals in Scotch grain distilleries?—I do not think they are used at present, but nevertheless they can be used.

6759. They are not used in Scotch grain distilleries?—They are not. I think that has been shown in the evidence. There is nothing, I believe, in the law, that is in the Spirits Act, as it at present stands, to prevent a distiller producing plain British spirits from any materials whatsoever, and selling it as whiskey. I think it must be admitted that such spirit is not whiskey. I do not recognise molasses spirit as whiskey; it is quite easily distinguishable from whiskey, and in my opinion the sale of it as such is to the prejudice of the purchaser, and I think it is inimical to the public health, unfair to the honest trader, and, in spirit, at least, I venture to think, it is a contravention of the Merchandise Marks Act. I think this is one of the points that I should venture to put strongly before your lordship and the Commissioners, that Scotch whiskey should be differentiated from commercial alcohol. At the present moment commercial alcohol if manufactured by a British distiller from anything that produces spirit may be sold as whiskey.

6760. You have no knowledge that that is done in Scotland?—I have not. I do not believe it is done there, but I think it is strongly felt that it should be made illegal.

6761. There are other objections with regard to the exportation of spirits? Perhaps you would explain those?—That is, I think, a very important point. The fact that it is not contrary to Revenue regulations is, I think, largely to blame for the agitation not only in this country, but in the United States, and in Australia, on the subject of whiskey and what it is. In this connection I should also like to refer to paragraph 69 in the Spirits Act of 1880, which is also incorporated in the Inland Revenue Warehousing Code, Section 337, to this effect: "British spirits for exportation or ships' stores may have any sweetening or colouring matter, or any other ingredient added to them in warehouse, by a distiller or rectifier. The spirits must, except as provided for in paragraph 336, be removed into a separate room or compartment, having no communication with the other part of the warehouse, except by a door under Crown lock." From this it will be seen that it is permissible to take plain British spirits, or Scotch whiskey, in a bonded ware-

house, into a special export compartment, and add anything whatever to it, without any record being taken; so that in this way a cask of fine Glen Livet or fine Islay whiskey, or any other plain British spirit, might be brought from the distillery to a Revenue warehouse, removed into the special compartment, and any substances that the shipper thought fit added to it without altering the denomination on the end of the cask, which I think is a serious matter. Dr. Wiley contended that the shipper was thus enabled to do for export what was not permitted for home trade.

6762. Does that give rise to any difficulties at the present moment?—I think it does. This particular section was first brought under my notice by Dr. Wiley, of the United States Bureau of Agriculture, when he visited our Excise warehouses. In saying our practice, I mean W. P. Lowrie and Company, Limited, of which I am managing director. On bringing this before the Distillers' Association, and enquiring throughout the trade, I found that hardly anyone, as far as I recollect, only two firms, knew that such a regulation existed, and it is not taken advantage of in Scotland, or to the best of my knowledge it is not. The Central Distillers' Association approached both the Excise and Customs authorities at that time, and after considerable correspondence the replies may be summed up in the following extract taken from a letter from the Secretary to the Inland Revenue, of August 7th, 1906, to the secretary for the Distillers' Association. He said: "With reference to your suggestion that paragraph 337 of the Warehousing Code should be amended, I am to point out that the Commissioners are advised that the law, as it now stands, does not warrant an amendment as suggested." It was incorporated in the Spirits Act, and was the law of the land, and they could not modify it by regulation or by a Board Order, I presume.

6763. What is your experience of the public taste with regard to whiskey, and what direction is it taking now?—I certainly think it is taking the direction of a sound blended article. That is my experience, and the experience of my company.

6764. Do you believe the increased consumption of Scotch whiskey is in some measure accounted for by this?—I think it is. I think by making up a sound blend, an article has been produced and put before the public which pleases them as neither a pure malt nor a pure grain ever did.

6765. You state that Scotch whiskey should be made in Scotland and Irish whiskey in Ireland?—Yes.

6766. By that, I suppose you mean that the qualifying term should be based exclusively on the country of origin, and not on the special characteristics of the whiskey?—Yes. In that connection I think it is purely a geographical question. I think when a man goes in and orders a glass of Scotch whiskey he expects it to be whiskey made in Scotland.

6767. So that if a distiller chose to produce in Scotland a malt and grain whiskey by Irish pot still methods, and identical in all respects with what is ordinarily known as Irish whiskey, he should not be entitled to sell it as such?—If he produces it in Scotland it would be Scotch whiskey.

6768. I have heard a distiller, within the last few weeks, argue that the terms "Scotch" and "Irish" should apply rather to the particular kind of whiskey than to the country of origin; for instance, just as the term "Pilsener beer" is applied to many beers which are not now made in Pilsen. That is not a way of looking at it with which you would agree?—That is certainly not the way it is looked upon by anyone that I know engaged in the trade, and I do not believe that is the way in which it is looked upon by the general public.

6769. You regard it as purely geographical?—Yes.

6770. I know you would allow the use of any kind of still in the preparation of whiskey, but you would restrict the use of materials to certain specified cereals, namely, barley, oats, maize, rye and wheat?—I am not particularly arbitrary as to others being added to it except with regard to such materials as rice.

6771. Is there any reason why you should exclude such cereals as rice or buckwheat, if they are found to give good results?—My one reason for excluding rice is that I have seen a number of samples of rice spirit, known as arrack in the East, and in point of fact I saw one not long ago taken from a still in Alexandria, where it is produced to be sold as spirit. It came under my notice because it was used to mix with other products such as Scotch whiskey, but it was a most unpleasant spirit, harsh and hot, and I certainly did not recognise in it any of the characteristics of Scotch whiskey.

6772. Then, again, I see you advocate the restriction of the term "Whiskey" to the product from a mash made of not less than 30 per cent. of malt?—Yes.

6773. Is not the present practice of using 25 to 30 per cent. of malt in Scotch grain distilleries based on the fact that it is rather difficult to get complete saccharification of the grain with a less amount of malt than this?—That is not the reason for our drawing this line. I should like to say at once that I am not an expert distiller. My special knowledge, such as it is, begins where the distiller usually leaves off, that is when the whiskey is put into the cask. This line was drawn because we felt that some standard was necessary, and there must always be a more or less arbitrary line. After a long discussion at the meeting to which I have referred, it was assented to that if it had 30 per cent. of malt in it we would support it being called Scotch whiskey *per se*. We wished to draw a line between Scotch whiskey and the product of molasses.

6774. You did not consider whether the present practice of using 30 per cent. of malt was due to the fact that the whiskey was perhaps improved in flavour by the malt, or whether it was due to the finding out that that amount of malt was about the smallest quantity which could be used satisfactorily in a mash to get a complete conversion?—I would not say that at all. I understand a very much smaller quantity can be used.

6775. You put it on the score of quality? You think you get a better spirit by the use of 30 per cent. of malt?—Yes.

6776. You advocate this limitation on the question of quality?—Yes. We felt in drawing an arbitrary line that we must do so so as to include every article, even the thinnest and cheapest that was at all entitled to the name, within that line.

6777. If the difference between 20 and 30 per cent. of malt is going to improve the whiskey, is it not fair to suppose that if we go to 35 per cent. or 40 per cent. we should get a still further improvement?—Yes, it is quite fair to suppose that.

6778. Then why do you necessarily put this arbitrary limit at 30 per cent., if it is the quality of spirit that you alone are considering?—Because we considered what virtually amounted to this: that Scotch grain whiskey as manufactured in Scotland at the present time has 30 per cent. of malt in the mash tun—I speak of what we are informed by the grain distillers—and it was felt if that is so that Scotch whiskey as made in Scotland to-day is entitled to be called whiskey.

6779. You take the present practice as your basis irrespective of whether or not that 30 per cent. is the best amount to use?—Quite so.

6780. If a minimum limit of malt were used you would, I suppose, look to the Excise to see that no mash contained less than that amount?—Quite so. That is one of the reasons why that was considered quite a feasible proposal, because it is so easily workable without causing the Revenue Department any further expense, which I think is a very important point. At the present moment a return of the mash is given to the Excise authorities, and it merely means that this shall be checked. They can put in as much more as they like, of course, but the officer in charge must see that there is a minimum quantity of 30 per cent. of malt.

6781. I am afraid that would not be quite such a simple matter as you imagine it to be. I think it quite probable that any limitation of this kind would put very many more vexatious restrictions on the poor distiller than he has at the present time. The Excise would not be content to check the account given to them by the distiller, but would also want to have a careful check on the materials. They would perhaps take stocks and even keep things under lock and key. Have you considered all those questions?—We considered them, and we thought that a lock could be put

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on the shoot down which the grist comes. It is not a question of whether the distiller puts in 30 per cent. or 35 per cent. of malt so long as he puts in 30.

6782. The Excise would want a check on the distiller not putting in a further amount of maize or any other thing. It seems to me you are running a risk of putting on certain vexatious restrictions which do not exist now. Have you duly considered that?—We took it for granted that the grain distiller had duly considered it when he accepted it.

6783. Then there is another little difficulty when green malt is used fresh from the malting floors?—Yes.

6784. How would you propose to check that amount?—We understood that it was to be dried malt that was to be used.

6785. It is not dried malt in all cases?—No, but when that meeting accepted 30 per cent. they accepted 30 per cent. of dried malt.

6786. That might interfere with the present practice in certain distilleries in Scotland?—It might do so.

6787. Then I think there is another possible objection arising out of your limitation of the malt, that it introduces the necessity for another definition, that is the definition of malt. We have a good many definitions to consider. You do not say whether this should be in your opinion barley malt or rye malt, or any cereal which has been germinated. That is the first difficulty. What would you propose?—That was mentioned at that meeting, and it was accepted if it was a malted cereal, rye, or the other one that was mentioned—barley.

6788. You are aware, I suppose, that very often in bad seasons it is extremely difficult to get the whole of your barley to grow, and that you might have 20 per cent. perhaps of what a maltster calls lie backs—grains which do not germinate?—Quite so.

6789. Would a product consisting of 80 per cent. of malt and 20 per cent. of raw grain be considered a malt? I am putting all these things before you as examples of the difficulties which will arise if we attempt to limit the amount of malt which a distiller uses?—I think it might be considered as malt. The same thing occurs at the Highland Malt Distilleries, and yet theirs is pure malt.

6790. But that is not limited by Act of Parliament?—No, but the word pure malt is. When you say pure malt you mean malt only, but if you are using, say, 20 per cent. of lie backs, it is still called pure malt.

6791. I think these are some of the difficulties we shall have to contend with if we establish a minimum of malt, but at the same time I think none of these difficulties would arise if the materials had to be limited to cereals only, and it would then be the duty of the Excise to see that no other materials were used than cereals; that is to say, that certain specified cereals only should be used at the distillery, which would be a comparatively simple thing?—Yes.

6792. I notice in your *précis* you have not given any opinion about the ageing of whiskey, as to whether it is desirable to have an age limit or not. Perhaps you would give the Commission some idea of your views on that point?—I have not given any opinion in my *précis* because I feel that it is such a debatable question. It seems to me that it has not been proven that new spirit is deleterious to health, but at the same time I personally would be glad to welcome an age limit because I have perhaps fallen in with the general opinion that old whiskey is better. Then I notice that every medical man in recommending Scotch whiskey recommends a little old Scotch whiskey, and he never recommends a little new whiskey.

6793. You would admit that no restriction ought to be imposed unless there is some good reason for it?—That is so.

6794. Do you think there is a good and sufficient reason for establishing an age limit?—I am afraid that is a matter more for a medical opinion than mine; but personally I should welcome it because I am imbued with the idea that it is better. I do not know what precise grounds I have for the reason.

6795. (*Dr. Bradford.*) We have the statement in your *précis* about the distillation of spirit from molasses, that it is inimical to the public health. Could you tell us on what you base that?—On an experiment. That is the only experiment that I ever ventured to make myself, and it was to a very limited extent. I got a sample of what was undoubtedly molasses spirit from a friend of mine. I tried a dessert-spoonful diluted with water, and I could tell it at once; it got to the back of the nose in a sharp way, it burned my throat, and caused me some little discomfort which lasted for a few minutes afterwards.

6796. (*Chairman.*) Was that called molasses spirit?—I procured it as an experiment, and certainly it was molasses. It was procured for me. I did not buy it in a shop.

6797. (*Dr. Bradford.*) You did not buy it?—No, but a friend of mine procured it from a distiller.

6798. So that your statement is based on that one experiment on yourself?—I tried it twice, and also one of my expert tasters in our establishment in Glasgow tried it with the same result.

6799. (*Dr. Horace T. Brown.*) Had rum the same effect on you?—I do not know that I ever experimented scientifically with rum.

6800. You experimented only with molasses spirit?—Yes, but is not molasses very much thinner and much more highly rectified than rum?

6801. (*Dr. Bradford.*) This was not molasses? This was sold as whiskey?—No, I merely procured a sample of molasses spirit to try it

6802. (*Mr. J. Y. Buchanan.*) Molasses spirit from a patent still?—Yes.

6803. Have you considered the importance of the ageing of the whiskey? You consider it very important that old whiskey should be used for blends?—I think it is very important from the point of view of public taste, but I am entirely open-minded whether it is good for the public health or not. I think so, but I do not know.

6804. I am not speaking so much in that way, but what I want to know from you is this: Has it come under your notice that any artificial means are used for producing the effect of ageing?—I have not seen any such.

6805. Do you know of any that have given successful results?—I have seen one or two samples produced as a laboratory experiment which, when tried in a larger way, did not give anything like the same results.

6806. Can you give any account of what the effect of it was? I do not ask what the nature of it was, but would it make the whiskey bad, or what?—No, it did not. I am afraid I cannot give the details of what it was, but while it produced a certain appearance of age, it also changed the character of the whiskey which was undesirable from the blender's point of view.

6807. Are any of them in use?—Not to my knowledge.

6808. (*Dr. Adeney.*) I have been asked to put some questions to you on behalf of Mr. Guillemard. The first question you have partially answered already. You suggest that the materials for Scotch whiskey should include a certain minimum quantity of malt. How would you ensure that the prescribed quantity was used?—By the officer in charge checking the weights. They are already returned to the Revenue, and I merely want the officer in charge to check them and say that they are returned correctly.

6809. Would you require all materials at a distillery to be kept under Revenue control?—I do not think there is any occasion to keep them under Revenue control further than that the control be that a Crown lock shall be on the shoot that fills the mash tun.

6810. You desire to restrict the use of cereals to certain grains?—I am not at all arbitrary about that.

6811. All you wish the Revenue control over is the malt?—Yes, we wish to have some sort of guarantee that they will continue to make it as good as they are making it at present, and therefore we draw the line where they are themselves prepared to accept it.

6812. Are you aware that this, to be effective, would mean a very serious interference with the distillers' operations, and add much expense to the distiller and to the Revenue?—I do not think it need.

6813. Mr. Guillemard appears to suggest that it would?—Mr. Guillemard, of course, is an expert in that matter.

6814. With regard to the use of cereals only, are you aware that molasses, as is known from the Revenue Records, has from time to time, and during many years, been largely used at patent still distilleries, and even in some pot still distilleries in Scotland, and that the spirits therefrom have presumably been treated as whiskey?—I believe that, for a number of years, molasses has not been used to any extent in Scotland, and I understand that it is not used at all just now, but that is a matter entirely within the knowledge of the Revenue Department, and they can answer it positively.

6815. The Revenue records referred to here you do not know of personally?—I do not.

6816. Does it not appear to you that your definition of whiskey is scarcely defensible historically, having regard to the former question?—Things have changed very much within my recollection, especially within the last fifteen years. For instance, I do not accept the definition or the differentiation between pot and patent still. I think you should distinguish between malt and grain in Scotland. In Ireland, I understand, it should be pot and patent, because the materials are so much alike, but I think in Scotland it should be malt and grain. In our stock books no such word as pot or patent appears. As a matter of fact, I do not believe in using the word "patent"; it is the Coffey still patent which is referred to, which expired many years ago, and the only still protected by a patent is a still in use at a malt distillery in Scotland.

6817. You make in your *précis* some reference to Section 69 of the Spirits Act, 1880. Are you aware that the privilege therein given was expressly extended to distillers, presumably at their request, in the year 1860, to enable them to prepare their spirits for foreign markets?—I was not aware of that in fact. We tried very much to find out what possible reason could have been given for such an indulgence.

6818. You suggest that anything might be added under the Revenue regulations to a cask of fine Glen Livet or fine Islay whiskey by a shipper. Is it not a fact that the shipper in such a case must be the distiller?—Not necessarily at all; in any Excise bonded warehouse, or Customs, you can have such a compartment. I am informed of that by a Collector of Glasgow, and by a Supervisor of our warehouses, and such a statement was not brought out in the correspondence with the Revenue Department.

6819. Do you think that the public generally know the difference between a blended Scotch and a blended Irish whiskey?—Certainly, I should think they do if they are in the habit of drinking whiskey.

6820. If you would allow the product of a patent still to be called whiskey—assuming it to be made from cereals—what objection could be raised to English spirit so made being called whiskey?—None; but I would object to it being called Scotch purely on geographical grounds.

6821. How would you prevent the sale to the consumer of a blend of English or Irish spirit with Scotch spirit as Scotch whiskey?—I am afraid it could hardly be prevented, and it could only be punished when found out. There is nothing at the present moment to prevent a man from selling it. Rum is very dear, and there is nothing at the present moment to prevent a man adding gin to his rum, but he would be punished if discovered. He takes the risk in breaking the law.

6822. Do you think it is practicable to state on the labels the constituents of a blend so far as the proportion of pot to patent still is concerned?—As far as the constituent parts are concerned I do not.

6823. Now, I should like to ask you one or two questions myself. Did I gather aright from you that the only distinction in your mind between Scotch and Irish whiskey is the geographical distinction?—No, certainly not. I think there is a very vast difference between Irish pot still whiskey and Scotch malt whiskey, and there is also a smaller difference between Irish grain whiskey and Scotch grain whiskey.

6824. Then you would not support Mr. Greenlees in saying that Irish pot still whiskey should be differently named so as to bring under notice the fact that it is prepared from a mixture of malt and unmalted whiskies?—No, certainly not. I think if it is described as pot still it describes it sufficiently.

6825. Do you think it is necessary to distinguish between patent still spirits, whether from Scotland, England or Ireland?—I think if a standard were accepted, whatever that might be, as to what whiskey was, and grain spirit were included within that standard, that would be sufficient.

6826. Do you mean a chemical standard?—No; might I venture to say a legal standard, a defined and definite standard such as the one suggested by myself?

6827. I notice you include maize among your allowable cereals, and not rice. Could you tell me why you include maize?—I include maize because in a practice of many years it has been found to produce a satisfactory article.

6828. A satisfactory patent still whiskey?—Yes, a satisfactory grain whiskey.

6829. And the flavour which the maize would give if employed in the pot still process would not appear definite in a patent still process?—I am not aware what the precise flavour of maize would be in a pot still.

6830. We have had it stated before that maize makes an unpleasant spirit when employed as a material in a pot still?—I do not agree with that.

6831. Do you say that from your own experience?—I say that Scotch grain whiskey as manufactured to-day is quite a sound article. It is a cheap article.

6832. If we based a definition on the materials, perhaps it would be simpler the fewer the materials we have to see to?—Quite so.

6833. With regard to this rice spirit that you have referred to, was that produced in a pot still, or a patent still?—I have no knowledge, but I should certainly think it was produced in a patent still because it was of a high strength when I saw it. It was evidently fairly highly rectified.

6834. I gather from you that you would like to base the definition of whiskey upon the materials employed, that is to say, you regard it as the fruit of fermented wash of cereals in a similar way that brandy is regarded as the produce of the grape?—Yes, I should like the cereals detailed. I do not know that I in any way insist on those that I have mentioned, but I certainly think it should be understood what the cereals should be. If it is decided to include a large number, well and good.

6835. Have you any experience of blending Irish pot still whiskies?—No, none whatever. Our business for practical purposes is entirely in Scotch whiskey. I have no knowledge whatever of Irish whiskey.

6836. (*Dr. Horace T. Brown.*) I should like to ask you one question with regard to Mr. Guillemard's questions, which, I think, gave rise to a little misunderstanding. You say the shipper could in all cases add what he likes by giving the proper notice?—By the shipper I referred to, and perhaps I should have said, the bonded warehouse proprietor.

6837. But according to Section 69 of the Spirits Act, 1880, it is only a distiller or rectifier who may, in accordance with the prescribed regulations add sweetening, or colouring matter, or any other substance?—I asked two high authorities in the Revenue Department, and they told me that that would apply to a general bonded warehouse as well. They said we could have one if we wanted it, but we do not want it. There is nothing to prevent our having it.

6838. (*Dr. G. S. Buchanan.*) Messrs. W. P. Lowrie and Co., whom you represent, are concerned very largely, are they not, in blending different Scotch whiskies in bonded warehouses?—Quite so.

6839. Partly for their own firm and very largely for other firms?—Quite so.

6840. Can you tell me from the general experience of your firm whether you would regard the best blends and the higher priced blends as containing generally a larger proportion of malt?—Quite so, provided they are old enough.

6841. I do not want to ask you questions you would not like to answer about your special blends—the special high-class blends which I understand are made to a very large extent?—I am perfectly willing to give you any information I can.

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6842. Could you say generally with regard to them whether one would be correct in putting the proportion of malt whiskey at, we will say, over 50 per cent?—In a great many cases, provided the whiskey is really old there is quite a large quantity of whiskey which would be. In fact, the average of whiskey blended in our warehouses contains over 60 per cent. of malt.

6843. You bottle, do you not, at your warehouses?—We do.

6844. The descriptions that are put on the labels are put on for your customers. You label for your customers?—We do. We have no labels of our own.

6845. The description that is given on the label is a matter I suppose outside your own control?—Quite.

6846. Have you ever had any occasion to protest against what you regard as mislabelling?—We have in extreme cases.

6847. Can you say whether the word "Highland" is regarded as an important asset in labelling whiskey?—I have no doubt it is.

6848. I notice you are also concerned with Messrs. James Buchanan & Co.?—Yes.

6849. We had, I think, one witness who told us that the word "Highland" was removed, I think it was, from their Black and White label?—From the capsule.

6850. His statement is correct, is it not?—Yes, in 1903 that was done.

6851. That did not connote any change in the whiskey?—It did not.

6852. Then with regard to your practice in sending out blends to the retailers, does the retailer, as a rule, know what is supplied to him as regards the proportion of grain whiskey or malt?—As a matter of fact, in our position in the trade we do not deal with the retailer at all, and we do not come in contact with him. We are precluded from doing so because we supply the leading wholesale houses, and bottle for them.

6853. The wholesale houses know what they are receiving?—Yes, undoubtedly.

6854. It is mentioned in the invoices?—Yes; they frequently write and ask us, and we invariably tell them.

6855. Now, I want to ask you one question about your definition. You think that Scotch whiskey should be made in Scotland only. Do you mean distilled in Scotland only, or blended in Scotland only?—I mean distilled in Scotland only. It may be blended anywhere, provided it is distilled there.

6856. You were asked a question about the control to be exercised by the Inland Revenue over a limit of 30 per cent. of malt in the patent still product. The control that would be required would not be a control for the purpose of protecting the Revenue in any sense, would it?—No, it would not.

6857. It would be merely for the purpose of checking the description that was given of the spirit—to see that it was a correct description?—Quite so.

6858. Therefore the kind of control need not necessarily be a detailed control involving a lock and key, need it?—As far as I can recognise it the only reason for a lock and key would be to see that not more than 70 per cent. of the other materials were used.

6859. But you can get very substantial control by simpler methods than that. You have said there is a substantial control over the addition of gin to rum?—I do not know it is done, but it was suggested to me the other day. It is a breach of the law.

6860. If you have a substantial penalty then it would be enough if you have an occasional check?—There are a great many things a distiller might do to-day if it were not illegal, but he does not do them.

6861. With regard to the question of age, I take it your position is this, that you consider that age is an important factor in the manufacture of a satisfactory whiskey?—Yes, in the production of it.

6862. You say that it is an essential factor up to a certain point?—Yes, it is a very desirable factor.

6863. Whether it is in the interest of public health or not, the consumer would get a better quality whiskey if he got a whiskey that was not new?—I should say so, certainly.

6864. You say you think it would be most desirable that the Revenue Departments should recognise whiskey as a distinct product in the same way as brandy and rum are recognised. You recognise, I suppose, that the recognition by the Revenue Department of brandy is as a grape-distilled article, whereas brandy mixed with grain spirit should be called British brandy or be otherwise distinguished?—Quite so, but if grain whiskey when made from certain cereals with the prescribed proportion of malt is recognised as whiskey then you are merely blending one whiskey with another, and therefore the whole is whiskey.

6865. The recognition you desire by the Revenue Department is in the interests of the Scotch whiskey trade, is it not? You say you desire that the Revenue Department should recognise whiskey as a distinct product, and not merely call it plain spirit?—Yes, partly in the interests of the trader, and I should say also from the point of view of the public.

6866. That involves, does it not, that there should be, in addition to recognising this, some control by the Excise or by some other authority over misdescription?—Yes, I should certainly think so.

6867. You would recognise that that is part of what you are aiming at, and you would advocate that?—That is so.

6868. I understand one important reason that you wish for this recognition is in connection with your foreign trade?—That has largely to do with it.

6869. Your firm in particular is concerned with the export of a large quantity of whiskey?—Yes, and a number of other firms.

6870. The mere guarantee by the Revenue authorities or the supervision by them of a description of Scotch whiskey as simply an article distilled in Scotland is not likely to carry much conviction, or be of much assistance in connection with foreign or Colonial food laws, is it?—Perhaps not, but it gets us a certain distance. It gets us out of certain serious misrepresentations and allegations that have been made in Western Australia and elsewhere.

6871. It is the geographical term that I am speaking of. The mere geographical guarantee that it is an article made in Scotland is not likely to help in foreign countries by itself?—No, not by itself.

6872. You would want in addition some form of official definition, such, for instance, as you have suggested to us here?—There are other definitions. I would be very pleased to see a certain amount of malt used in the blend, but there are such practical difficulties in the way that we used this as an irreducible minimum.

6873. (*Dr. Horace T. Brown.*) As a thing that you can check?—Yes, that is so.

6874. (*Dr. G. S. Buchanan.*) There is an increasing tendency of foreign countries to establish special requirements in connection with specified articles of food and drink?—I think that is so, undoubtedly.

6875. Codes of food descriptions are growing up in foreign countries, and there is an increasing demand by them, rightly or wrongly, for attestation and certification, and so forth?—Yes.

6876. That has particularly come to a head in the United States in connection with their Pure Food definitions?—That is so.

6877. Your advocacy of this recognition by the Revenue Department, or by some other official department, of particular descriptions of Scotch whiskey is to a large extent due to the fact that that will assist in connection with negotiations for, or in connection with the trade with these countries which have food law restrictions?—That also has influenced my opinion considerably.

6878. You realise that that might be carried a little further, and that they may not merely require an official description of Scotch whiskey as such, but they might require some sub-descriptions, if I may so call it, for example, as to what constitutes Highland whiskey or grain whiskey?—Quite so, and then, in that case, we should have to conform with the laws or requirements of each respective country.

6879. (*Dr. Adeney.*) When you suggest that the Revenue Department should recognise whiskey as a distinct product in the same way as brandy is recognised, do you carry your suggestion so far as that the

Excise should exercise any control over spirits in bonded warehouses so as to prevent any mis-description?—Certainly. I mean this, if, at the time of manufacture, instead of entering in the books of the Revenue Department "Plain British spirits" they entered the word "Whiskey," that article would only be allowed to be blended with whiskey—in bond, of course. What is done outside bond, of course, is difficult to check, but in bond it would be inadmissible to blend that with any other kind of spirit, as with brandy—it would then become mixed spirits, and would lose its name.

6880. If it were possible for the Excise authorities to institute such a supervision would it give the whiskey trade distinct protection do you think?—I do not think it would particularly, but I think it would give the public a distinct protection. At present there is nothing to prevent any plain British spirit being sold as whiskey, and any spirit distilled in England, Scotland, or the British Islands is plain British spirit, and things that are equal to the same thing are equal to one another.

6881. Would there be anything in the suggested possibility that a whiskey being properly described on leaving the Excise control, might be blended with silent spirit or foreign spirits?—After going to the duty-paid warehouse?

6882. Yes?—That is one of the difficulties.

6883. Is it a practical difficulty?—I do not think so. I do not think it is done at present. I do not think foreign spirits are used to any extent at present.

6884. If the Excise authorities could introduce such a supervision do you think it would be of distinct value?—I do.

6885. And a protection to the consumer?—Yes.

6886. (*Chairman.*) If the whiskey was in fact a compound manufacture, with, say, 28 per cent. of malt, what is to become of it, according to your view?—If it were manufactured with 30 per cent. of malt ——

6887. I say with 28 per cent. of malt—what is to become of that product?—That would be plain British spirit, and can be used as commercial alcohol.

6888. Then you do not prevent its being used?—Certainly not.

6889. Is it in any way detrimental to health?—I am not prepared to answer that question as regards health.

6890. You do not say that it is detrimental to health?—No.

6891. But you would sell it with some distinctive mark upon it?—Yes.

6892. What should that be? I do not want to go into too great particularity about it?—If that line were drawn there would be no plain British spirit manufactured with 28 per cent. of malt.

6893. Would you call it whiskey?—No.

6894. What would you call it?—Plain British spirit.

6895. In whose interest would that be? Is it in the interests of the trade that you make that distinction?—I think not at all.

6896. Are you speaking now on behalf of the public?—I think it would be distinctly in the interests of the public.

6897. If it is not deleterious to health why should the public know whether it is 28 or 30 per cent. of malt?—There is no reason at all. I wish to prevent them from getting molasses spirit.

6898. We are not on molasses spirit now. You put it if it is 28 per cent. of malt and all the rest is grain—cereal. That has nothing to do with molasses?—I am afraid I have not made myself sufficiently clear.

6899. I am sure that I have not made myself clear to you?—Molasses spirit is recognised, and, in fact, alcohol distilled from any materials whatsoever—it may be anything at all either with or without malt. If it is produced by a British distiller that can be warehoused as plain British spirit, and plain British can be sold as whiskey. Now I think that it certainly is not in the interests of the public that they should drink that molasses spirit—it is a misdescription.

6900. If it is molasses spirit and nothing else, no malt and no grain, why do you say it can be sold as whiskey?—Because it can be warehoused as plain British spirits, and everything that is warehoused as plain British spirits may be sold as whiskey according to the Spirits Act.

6901. Can it be sold as brandy equally as whiskey?—No, because brandy is brandy; it is specially designated.

6902. Is whiskey designated?—No.

6903. With regard to this compound that you speak of—the molasses compound, in practice what is mixed with the molasses?—I am not a practical distiller, and I do not know exactly the process, but I know that a commercial spirit is produced for the arts and manufactures which is produced largely from molasses. We do not use it, and it is not used as whiskey, but still there is, I believe, a legal ability under the Spirits Act to do so, and we want to stop that.

6904. Is it in large quantities? Of course we have heard of a considerable quantity of molasses being used in England?—Yes.

6905. This does not occur in Scotland?—At present it is not being used in Scotland, I believe. I think that came out in Mr. Tedder's evidence.

6906. That amount of molasses represented a large manufacture?—Yes.

6907. Would it be deleterious to health? I thought it had been mixed with grain, but you concentrated it upon the molasses. What sort of stuff is this?—I merely instanced this spirit made from molasses.

6908. Is it the product from molasses that you are dealing with?—Yes.

6909. Where is the evil?—I think the evil is that it can be sold as whiskey, although I do not think that it is sold as whiskey.

6910. Is there a large quantity of it?—There is a large quantity of it manufactured. I do not think it is sold as whiskey, but still the ability to do so is the cause for a great many extraordinary statements being made.

6911. What is the other compound besides molasses?—Sago, and I think we might include rice as well.

6912. Has it any resemblance to whiskey when tasted?—It has a remote resemblance, but I do not think the molasses spirit has any resemblance at all. I think that is very nasty.

6913. I really thought you were dealing with a kind of patent still mixture of 30 per cent. of malt and the rest grain?—That I want earmarked as whiskey.

6914. What would you earmark that as?—As grain whiskey—let it be recognised as whiskey.

6915. You are in favour of that being earmarked as whiskey?—Yes, I am in favour of that being earmarked as whiskey provided there is 30 per cent. of malt in it.

6916. But if there was 8 per cent. of malt in it, what would you do with that?—That would be simply commercial alcohol.

6917. How would you label it?—I should not sell it at all for consumption.

6918. We have a statement that there is a good deal of it manufactured with 10 per cent. of malt?—Yes, we have, but I do not think that is used for human consumption.

6919. (*Mr. J. Y. Buchanan.*) Your point is that whiskey should be recognised like brandy?—Quite so.

6920. And that molasses should not be admissible?—Certainly not.

6921. Whiskey defined as whiskey must contain 30 per cent. of malt?—We recommend that, because it is acepted by the distillers.

6922. (*Chairman.*) You are speaking of what is used in the mash?—Yes.

6923. We have heard that there are smaller quantities than 30 per cent. being used and sold as whiskey. You wish to alter that and say that any production that has not 30 per cent. of malt in the mash should not be sold as whiskey?—Yes, we wish to prevent that.

6924. Would you allow it to be sold at all?—Certainly it may be sold.

6925. As what?—As plain British spirit.

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6926. By that name?—Yes, by that name or simply as alcohol.

6927. That is the same thing, is it not?—Yes, practically.

6928. Are you speaking of the general view of any portion of the trade now?—In recommending this I certainly think I am, because at this meeting of which I have spoken, which was very largely attended that definition was generally adopted.

6929. Was that a meeting which selected Sir Robert Usher as chairman?—No, he was not chairman at that time, Mr. Townsend was chairman at that time.

6930. Sir Robert Usher was elected chairman?—No, he was not chairman; he was present at the meeting, but not as chairman. This was a meeting of the West, South and East of Scotland Malt Distillers' Association held in Glasgow.

6931. He was not present at the first meeting; then he was elected chairman, and it was he who dealt with it?—That was the Central Committee

6932. He represented that body as a representative of the Committee?—That was a Committee elected in order to approach the Local Government Board.

6933. Is the object of the Central Committee to stop the sale as Scotch whiskey of spirit containing under 30 per cent. of malt?—The Central Committee is practically dissolved, but it is the view of the West, South and East of Scotland Malt Distillers' Association, and also a large number of others in the trade.

6934. I want to know whether it was a representative body?—Yes. I think it is a matter that I might venture to put very strongly before you.

6935. Is there any material difference, do you think, between 30 per cent. and 25 per cent. of malt in the mash tun?—I do not think there is any material difference as regards the health of the consumer, but it is necessary to draw an arbitrary line somewhere, and we accepted that line because it was agreed to by the grain distillers.

6936. For what purpose is it necessary to draw the line?—To prevent it going too far down.

6937. You admit you have not gone too far down with 25 per cent.?—30 per cent. We want to get the best quality we can.

6938. I can understand the trade taking this view, but I do not understand how the public takes it?—I think the better the whiskey produced the better it is for the public.

6939. You say there is not a difference?—There is a difference, but not a material difference.

6940. You say there is not a material difference as regards health?—I was speaking of the flavour and general quality.

6941. That is a matter of taste?—Quite so.

6942. (*Dr. Adeney.*) Do you know what proportion the Irish pot still distillers use?—No, I do not.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

FOURTEENTH DAY.

Tuesday, 5th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

W. E. ADENEY, Esq., D.Sc., F.I.C.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. JOHN MCDONALD, called.

Mr. J. McDonald.

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6943. (*Dr. Cushny.*) I believe you are the senior partner in the Ben Nevis Distilleries, Fort William?—Yes.

6944. How long have you been in the whiskey business?—About 23 years.

6945. You have been chairman of the Central Malt Distilleries Association?—Yes.

6946. What does that comprise?—The east, south and west I represent—not the central.

6947. But what does the Central Malt Distillers Association comprise?—The Central Association comprises all the malt distillers in Scotland, but I am speaking for the East, South and West Association, which is one of the branches of the Central.

6948. What is your opinion with regard to the effect of the malt in Scotch whiskey?—I am entirely interested in malt distilleries. I have no connection outside malt distilleries.

6949. You believe that malt really provides the flavours for all Scotch whiskies?—I believe the flavours come from Highland malt, and the flavour of the Scotch whiskey is derived from the Highland malt.

6950. Do you think that the malt whiskey is adapted for ordinary consumption?—The malt whiskey is adapted for ordinary consumption in its own locality in the Highlands, but further south it is generally considered to be too full in flavour, certainly when it is in the younger ages, and therefore it has been acknowledged that it ought to be toned down to a certain extent with grain whiskey.

6951. Have you noticed the evidence of Mr. Pheysey and Mr. Gilbey on this point?—I have noticed that in the south and abroad the demand is for lighter whiskies than our Highland malt, and I have always found that our own whiskey did not sell so well in the south as it would do in the north.

6952. Have you noticed that Mr. Pheysey, of the Army and Navy Stores, sells almost exclusively malt whiskey?—A pure malt whiskey, unless it is of great age, and even then it seems to be too full of flavour for people in the south and for general consumption outside our own country ——

6953. That does not seem to be the opinion in the south. Mr. Gilbey and Mr. Pheysey have both said that they used almost exclusively malt whiskies?—I sell nothing but malt. I am a malt distiller. I do not sell to the public direct, but I sell to the blenders, who again blend the whiskey, and my whiskey is sold through the wholesale trade, in certain instances to private customers, but that trade is a comparatively small one.

6954. Is that experience drawn from England only, or do you export at all?—We export practically nothing at all ourselves. We have a small export business through the wholesale trade, but being pure malt we find the demand is extremely small. At one

time it was much greater, but the blended whiskey has almost completely stopped our export trade.

6955. How would you define Scotch whiskey?—My own connection is entirely with malt, but my definition would be whiskey made from cereals, and the conversion should be by malt and not by acid.

6956. Do you accept all cereals?—I do not like to speak for grain, because I am not a grain distiller, and we ourselves use nothing but barley malt; therefore, I do not think it would be fair for me to say, and my knowledge does not enable me to do so, what other cereals might be used.

6957. You have offered a definition and we have heard it before. Some witnesses have objected to rice, for example, as a cereal. What is your opinion with regard to that?—I have never seen spirit made from rice. I have seen spirit made from molasses, and certainly the spirit made from molasses I would decidedly object to.

6958. You think that all Scotch whiskey should contain some malt?—Certainly.

6959. You would exclude pure grain?—I do not exclude pure grain from being called Scotch whiskey, because it has always been called Scotch whiskey, but I think Scotch whiskey to be typical should all of it contain a certain amount of malt.

6960. (*Dr. Horace T. Brown.*) In the mash you mean?—No, I mean a certain amount of Highland malt whiskey itself. I am a Highland malt distiller, and I hold that all Scotch whiskey should contain a certain proportion of malt whiskey.

6961. (*Dr. Cushny.*) You would not exclude grain?—No, I think grain has a right to be called Scotch whiskey, but my own personal opinion is that in all blends there should be a certain proportion of malt whiskey.

6962. How much malt whiskey?—That is a very difficult question, and could be much better answered by a distributor who knows what the palate of the public is, and who is in direct touch with them.

6963. Do you mean 50 per cent., or do you mean 5 per cent.?—Nearer 50 per cent. than 5 per cent., and as a Highland distiller I should like the proportion to be as large as possible without interfering with the sale of whiskey.

6964. Is that for the sake of the customer, or in the interest of the distiller?—That is in the interest of the distiller.

6965. Do you object to raw whiskey being sold?—Yes, I certainly object to raw whiskey being sold. I think that whiskey should be of a certain age.

6966. What age limit should you put?—With regard to an age limit for malt whiskey, it would not affect certain distilleries nearly so much because they require a higher age than the others, in a way, but taking it all over, I should think something like two to three years. The lighter whiskies do not require to be kept so long. Our own whiskey averages five years.

6967. But you would be satisfied with two years?—I think two years is a practical age.

6968. What would be the advantage to the customer of this limit of two years, do you think?—I think the whiskey would be more palatable, and also more wholesome.

6969. You have not any definite evidence as to the wholesomeness or otherwise?—I speak from personal information and from practical knowledge in that way. I think the older whiskey is more wholesome than the new. I do not think there is anything wrong with the new whiskey, but I think the older whiskey is more wholesome.

6970. You think if it was kept for two years you would get a guarantee from the Excise as to its origin?—I think we should get a guarantee then that the whiskey has been kept for two years in a British bond, and Scotch whiskey being exported would therefore have the guarantee from the Customs here, and that would put a stop on the trade that is being done from Hamburg to South America and other places in German spirit, which is sent out under label to those countries as Scotch whiskey.

6971. Have you any evidence of that?—I only know it from men who have been in South America who bought the whiskey from Hamburg, and who tell me that is the case.

6972. Then with regard to labelling whiskey. First of all you label all spirits from cereals made in Scotland as Scotch whiskey?—Yes.

6973. With some malt in it? You would insist on it having some malt in it?—Yes, there is a certain percentage of malt in pure grain whiskey.

6974. Do you think that could be subdivided by labelling at all?—I think that labelling with the idea of putting down that the whiskey is malt and grain would be a great hardship to the Highland distillers—to the best of us. It would leave the best Highland distillers on a level with the lowest and the commonest of the Lowland malts.

6975. (*Chairman.*) Why?—Because we are all put down as pure malts. You might have a whiskey of great age thoroughly matured that would be labelled pure malt, and you might have one of the very common malts, of which there are a number in the Lowlands, two months old. That would leave our very old Highland on a level with that.

6976. Supposing you put the name of the spirit on—for instance, Glenlivet on one and no particular distillery on the other?—Unless you have an Excise certificate in both cases the public would not believe you, and I think that the other case might be put where you have a blend of, say, several of the finest distilleries in the Highlands, of great age, with ten per cent. of old grain sufficient to tone it down a little. That would come in as inferior to common malt which might be only three or four months old.

6977. (*Dr. Cushny.*) What protection have you at present from such whiskey being rivalled by some Lowland malt whiskey?—As against Lowland malt?

6978. They are both sold as Scotch whiskey at present?—Yes, but I think the greater trouble will come when you say malt and grain, because you will get the very finest blend which will be made out to be inferior to a young and common pure malt, and will be put on the same level as whiskies such as were in the late prosecution, which contained 95 per cent. of new grain and 5 per cent. of common malt. You put the very finest malt blend on a level with a blend of common malt. I would much rather have Scotch whiskey left entirely open.

6979. You would object to the pure malt being labelled because it would be inferior and suggest that the whiskey was superior to the blend?—It might be. You could sell as a pure malt a very common whiskey, which people would think was something superior to one of the very finest blends, and in that way I think it would do a decided harm to the best Highland blends.

6980. Would you have pure malt labelled specially—different from "Scotch Whiskey"?—I do not think so, because I do not think that people in the south would drink much pure grain.

6981. But the whole of Fifeshire, according to one witness, indulges in pure grain?—They do not drink it out of the bottle, they drink it as the whiskey they have been used to. No export trade is done in pure grain—none outside Fifeshire. I am quite willing to leave Fifeshire to the pure grain.

6982. Do you think the blends could be divided in any way, say, a good blend of 75 per cent. malt might be divided from a poor blend of 5 per cent. malt?—I should like to see a proportion of malt in all the blends, but I am afraid it has been declared to be almost impracticable to fix a standard.

6983. Supposing you had an arrangement that a good blend—say, one of 75 per cent. malt whiskey and 25 per cent. grain was labelled "Blended Malt," and one with a blend of 50 per cent. of malt was labelled "Blended Grain," would that be of any value?—There might be the difficulty then as to the two kinds. You might get 50 per cent. of a very poor malt and 50 per cent. of grain, which would not be so good as 75 per cent. of grain, and 25 per cent. of very fine old Highland malt, so that you might label the 50 per cent. one as being better than the one with 75 per cent. of grain, but it would probably be the other way round. The one with the 25 per cent. of very old Highland malt would be probably better than the one with 50 per cent. of common malt unless you could differentiate, which you cannot do, between the different malts and say which are the fine malts and which are the common malts. I am afraid it would be very difficult to do.

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6984. You would have to arrange for a general average and not for exceptional cases. I do not quite understand this view that you represent that the pure malt is unhealthy or undesirable to drink for the Londoner, say, because we have had evidence from several men who have told us that they sell largely in London, and I suppose they sell largely pure malt —for example, Mr. Gilbey and Mr. Pheysey?—In any case, when they use pure malts and where the people sell pure malts, you will find that the pure malts are of great age and consequently dear. You cannot sell a pure malt as a pure malt unless it has great age, and great age means greater expense, and I do not think the people will pay the price for the more ordinary whiskies.

6985. Your reply, in which you said that the pure malt has been found too full or rich for general use, practically applies only to young pure malt?—Yes, that is right.

6986. (*Dr. Horace T. Brown.*) You stated that you consider the Highland malt whiskey made in the pot still provides the flavours and character of Scotch whiskey?—Yes.

6987. Do you mean to imply by that the patent still spirit has no specific character of its own, and that it merely acts in the way of diluting the other whiskey? —Chiefly so. The grain whiskey as made in Scotland has more flavour than the German spirit, which is more highly rectified, but its chief use is in diluting the flavour of the Highland.

6988. You would not forbid the use of the term "whiskey" to the patent still product alone?—No. We have always called it grain whiskey, and I have known it as grain whiskey all my life.

6989. It is fair to assume that you would allow it to be called Scotch whiskey?—Yes.

6990. Therefore it ought to have the characteristics of Scotch whiskey by itself?—Yes, but I think Scotch whiskey as it is generally known contains, as a rule, a certain proportion of malt. I do not think that grain whiskey is a characteristic Scotch whiskey. It is Scotch whiskey, but not a characteristic one.

6991. I do not quite follow you there. It either has the characteristics of Scotch whiskey or it has not?— It is made in Scotland. I think that is its chief claim to be called Scotch whiskey.

6992. You would restrict the use of the term whiskey to mashes of cereals converted by means of malt?—In fact, as it is done at present.

6993. Would you like to see the amount of malt used in a mash restricted?—Speaking as a distiller, we are surrounded with red tape already, and if you are going to add more restrictions you are going to hamper the manufacturer, and on those grounds I object to any further restrictions.

6994. You think if the malt was restricted in amount that the distiller would be placed under very unpleasant restrictions by the Excise or anyone appointed to check the amount of malt used?—I think it will cause trouble decidedly. As a distiller I am opposed to any restrictions in the mash tun. We have plenty already.

6995. But supposing the Excise was to take an occasional check of some sort, would there be any objection to that?—I do not think there would be any objection to that, but it would not be an efficient check on anyone who wishes to do wrong, and it would probably only hamper the man who wishes to do right.

6996. (*Dr. G. S. Buchanan.*) The restriction of the amount of malt in the mash would not affect you as a Highland distiller, would it?—Not in the slightest; we use nothing but malt.

6997. You personally have nothing whatever to apprehend from any regulation on that subject?—No, that is what I say. I am speaking merely as a distiller. As a manufacturer I should be very sorry to see any restrictions placed on a fellow manufacturer.

6998. Purely on general principles?—Purely on general principles.

6999. I gather that your whiskey from the Ben Nevis distilleries is sold for blending only now?—We sell a certain quantity pure—at least, it is sold through the wholesale channels, but it is a greatly diminishing amount. We admit it is not a large sale.

7000. You lay yourself out practically for supplying blenders?—If we did not we should do no business.

7001. Was it in respect of your distillery that we had an advertisement put in by a witness saying that your whiskey had a special potency for covering grains and softening plains? We were a little perplexed, or the witness was a little perplexed about that. Could you tell us what that does mean?—It means that it is a very fine, full-flavoured whiskey.

7002. You do not attempt to prepare a whiskey which is satisfactory as a self whiskey?—I believe, as a matter of fact, in our own distillery we probably have done the largest trade of any Highland distillery in pure malt whiskey.

7003. It was sold as self whiskey?—Yes. Certainly in the past we had the biggest sale of any.

7004. In what respect would you say that your methods now have altered since you were making a self whiskey?—We are making the same whiskey still; it is the public taste that has changed.

7005. The same as regards ingredients?—The only difference there may be at all is that we do not use so much peat. The taste for a smoky flavour has gone and we do not use so much peat.

7006. (*Dr. Adeney.*) Do you run your fine whiskey at the same strength?—Yes, there is practically no difference in that at all.

7007. (*Dr. G. S. Buchanan.*) A question or two about the description of whiskies. You were objecting to making a distinction on labels between pure malt on the one hand and a blend of malt and grain on the other?—Yes.

7008. On the ground that there may be a poor quality of pure malt and a good quality of blended malt and grain?—Yes, that is correct.

7009. Have you seen any recent wine merchants' catalogues? Take a place like the Civil Service Stores where they are selling at the present time the two whiskies under separate headings, the pure malt and blends of malt and grain?—The Army and Navy Stores have it, I think.

7010. I do not think the Army and Navy Stores are selling blends of malt and grain?—I think they are now.

7011. There is another catalogue that I have in my mind from a place that has a very large sale for whiskey, and I noticed there that there was a range of prices and a range of quality under the heading of "Pure Malts," and a range of quality and a range of price under the heading of "Blends of Malt and Grain," but at the same time the distinction was made. Do you see any objection to that being done?—I do not see any objection to any man doing that if he wishes to do it, but I do object to it being made a legal restriction.

7012. These gentlemen have presumably done it because they thought it was in the interests of the trade, and in the case of the Civil Service Stores that it was in the interest of the consumer?—Yes, and I know a great many men who have sold pure malts and almost in every case they have told me they are disappointed with the results.

7013. (*Dr. Adeney.*) You have told us that in your opinion patent still spirit is very lightly flavoured?— Yes.

7014. Does that obtain with patent still spirits from Ireland as well as from Scotland?—I should take it they are much the same. I have got no skilled experience of it, but I take it their process of manufacture is much the same.

7015. And flavours? You would not expect a great difference in flavours?—No.

7016. Not as in the case of the pot still?—Nothing like.

7017. Would it be wise then to give the name "Scotch" to a patent still spirit?—That is a question of tradition and what right they have to it. If they have made it all in Scotland as Scotch whiskey I do not know that we have a right to take it from them.

7018. Do you not want protection for your best manufacture in Scotland, and would you not sympa-

thise with the Irish pot still distiller in his desire for protection for the best Irish whiskey?—I do not know what the protection is we want for Scotland.

7019. I mean generally in reputation. You depend on the flavour of your Scotch malt for your world-wide reputation for Scotch whiskey?—Certainly, but we do not want it to be too full flavoured for the public wish.

7020. I am now talking of grain spirit quite apart from the malt?—You mean the sale of grain spirit pure and simple.

7021. Yes?—I think the sale of grain spirit pure and simple with our world-wide reputation we can afford to ignore because nobody would drink grain spirit, that is to say, nobody who will give a price that is worth receiving.

7022. But if it is allowed to be called Scotch whiskey you are open to the danger of it being sold as Scotch whiskey?—We have at present a grain whiskey of a few months old being sold with a common malt a few months old—95 per cent. of grain—which I do not think is a good advertisement for Scotch whiskey; it is very much the reverse. I should be very glad, and the whole of the trade, I think, would be very glad to see that very common stuff stopped and to a certain extent the age limit would do that.

7023. Am I right in the impression I have got that this grain spirit when you call it Scotch whiskey is merely trading on the reputation of the pot still whiskey and similarly in the case of Ireland, whereas with regard to the Scotch grain spirit and the Irish grain spirit there is really no distinct difference between the two?—I think the trouble comes in with the buyer who wants something very cheap. When he has got to a certain stage the question of diluting the Scotch whiskey goes out and the question of cheapness alone comes in, and a certain class of distributor will ask for the cheapest he can get, quite regardless of quality but mainly regarding the price.

7024. Would you be inclined to exclude the term "Scotch" being applied to such a spirit as you describe?—I do not see where you can draw the line; that is the trouble of it. I should be very glad to exclude them.

7025. You think it ought to be done, if possible?—Yes, but I do not see how it can be done.

7026. It is the practical difficulty in your mind which prevents your recommending it?—Entirely. I should very much like to see that very cheap Scotch whiskey stopped altogether, and I think all the trade would.

7027. In your reply as to the unsuitability of Highland malt whiskey for consumption as a self whiskey, do you refer to all Highland malt whiskies?—Oh, yes; because I think, as I have already said, that probably my own brand is one that is most suited for consumption as a single whiskey, and because it is of great age, and is more suitable for a man who drinks very very little. We have found that the general public prefer it without so much flavour.

7028. Is that true of the Lowland malt whiskies?—The Lowland malt whiskey is lighter, it comes in more cheaply, and it matures quicker, and you will probably drink Lowland malt whiskey when 5 years old when you would not drink ours till it was 8 years old.

7029. To that extent there is not the same necessity to blend the Lowland malt as the Highland malt?—No, not to the same extent. It is lighter whiskey.

7030. It is possible for the Lowland malt to be consumed in London, for instance, and give satisfaction to the consumer?—I do not think for a moment that a pure Lowland malt would compare with a Highland malt blend. A blended Highland malt would be superior to a pure Lowland malt.

7031. I take it it is similar to the case of Irish pot still whiskey. There is not the same necessity for blending those. Those are suitable for consumption as self whiskey?—But I take it in the same way they have got to be of far greater age to thoroughly mature.

7032. That brings to my mind the statement that Mr. Pheysey made to us. He was asked what class of consumers he was referring to when he said that the greater part of his trade was done in pot still whiskey—malt in the case of Scotch and pot still in the case of Ireland—and he told us that his consumers included all classes of the community, the working man as well as the rich man, and still there was in his experience that desire for the pot still whiskey. I am speaking from memory, but that is the impression he gave me?—I did not know before that any working man was a member of the Army and Navy Stores; that is news to me. They take in most classes, but I do not think they take in the working man.

7033. I think your statement that the malt whiskies are too highly flavoured for consumption as self whiskies requires a little modification?—They are too highly flavoured unless you get them of an age which brings them out to a price which the ordinary consumer would not give. He expects to buy whiskey at 42s., or something like that, and he refuses to pay 48s., or 54s., or 60s. If he will only pay 60s., which would be only 5d. a glass, he would get the right stuff.

7034. (*Chairman.*) 60s. for what?—60s. a case. If a man pays some price like that, or not quite so high as that, he would get the right stuff.

7035. How much is that per gallon?—30s.

7036. With duty?—Yes. There are two gallons to the case. If he is willing to pay some price like that he could then consume a great deal more of pure malt whiskey, but people grudge that price. They will give the price retail, but they will not give it for their own household. It is only 5d. a glass, and they will pay 6d. a glass for probably much inferior whiskey.

7037. That is for themselves?—If you are in an hotel you will pay 6d. a glass, but you will not give 60s. a dozen for whiskey for your own house, which is only 5d. a glass.

7038. How long does your experience and knowledge go back to the practical working of the trade?—23 years—from 1885.

7039. I understand that when you commenced you were selling more pure malt whiskey than you do now?—We sold a good deal more in the old days. It has decreased very much.

7040. Has your pure malt whiskey got to a very small quantity?—It is a small quantity, but it has been in the last two or three years slightly increasing from that very question of price. Some people nowadays are giving higher prices, 54s. and 48s., and the pure malts are selling a little more because of that.

7041. To what do you attribute the diminution of the sale of the pure malt whiskey? Is it the price, or is it the public taste?—A combination of the two, but the price has certainly a very strong influence because the public will not give a price which will enable them to get pure pot still of the proper age.

7042. Then by effecting this blend has your business increased?—In the single whiskey it has decreased, but we deal far more with blenders than we did before.

7043. But by selling whiskey for blending has your business increased?—The business in Scotch whiskey generally has increased. We cannot speak individually because, as a matter of fact, in my own time there have been nearly 50 other distilleries built. We have a great deal more competition, but the actual consumption of Scotch whiskey has increased enormously.

7044. Is this the result in your view that anything that stops the blending of whiskey would be disadvantageous to both the trade and the public?—Most decidedly.

The witness withdrew.

Mr. A. Walker

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Mr. Alexander Walker, called.

7045. (*Chairman.*) Are you one of the Managing Directors of John Walker & Sons, Limited?—I am.

7046. I believe you have places of business in Scotland, London, different places in England, and Sydney?—Yes.

7047. You own two distilleries?—Yes.

7048. Where are your distilleries?—At Cardow, Speyside, and Annandale.

7049. In what part of Scotland are they?—Cardow is in Speyside and Annandale is in Dumfriesshire.

7050. I believe also your firm have an interest in several other distilleries, both pot and patent still?—Yes.

7051. You have read the evidence that has been tendered to the Commission, and you have also attended meetings of your Association?—Yes.

7052. I think you wish to state that you express your views for yourself personally?—Yes.

7053. You may not be in accord with others?—Yes.

7054. Do you wish to preserve and see preserved the term "Scotch Whiskey" in the trade?—Yes.

7055. Under what conditions? What do you think Scotch whiskey, if it bears that name, ought to be made of?—I think that Scotch whiskey, in order to entitle it to that name, should have a high proportion of pot still malt whiskey as its basis.

7056. Can you give us any assistance as to the proportion?—I have not put in the proportion. I have mentioned a proportion at several meetings. I have mentioned the proportion of 50 per cent.—that it should be the predominant partner of the blend.

7057. Why have you made that qualification?—Because I believe the characteristics of Scotch whiskey are entirely got in the pot still. The character of Scotch whiskey as known is only got in the pot still.

7058. In whose interest are you asking for the 50 per cent.—the producer or the public?—I am entirely asking it in the desire that the public should get value when they ask for Scotch whiskey without definition, and that they should get a certain standard of value.

7059. Is it then that the customer should only pay a fair price for a particular article that you make the demand for 50 per cent.?—I do not follow you.

7060. Is it only then upon the question of price that you make the demand that there should be 50 per cent. of malt?—Yes.

7061. Who is the consumer you are thinking of? Is it the person who buys, like the publican, a cask of whiskey, or the person who buys a bottle, or the person who goes up to the counter and asks for it?—All three.

7062. Why should he not have, if he is told the truth, a whiskey with only 20 per cent.?—What I mean to indicate is this, that assuming a buyer, say, a publican, or even an individual, goes in and asks for Scotch whiskey without defining it in any way whatever, then he should at least get a whiskey containing 50 per cent. made in the pot still.

7063. I hear you say so, but I want your reasons for saying so. Why should not a man have 20 per cent. of malt instead of 50 per cent.?—Because it holds less of the characteristics which I deem necessary to give it the definition.

7064. What are the characteristics? Are they characteristics that produce health or produce intoxication quicker?—There is no distinction with regard to intoxication between the one spirit and the other spirit at all as long as they are of the same strength.

7065. I understood pot still whiskey was stronger than the ordinary patent still whiskey?—Stronger in flavour but not stronger in ethyl alcohol.

7066. In intoxicating qualities?—No, I do not think so at all.

7067. You have put your standard at 50 per cent. Is that the view of others besides yourself, or is it your own view?—It is the view of a good many others.

7068. Would you allow whiskey to be made with less than 50 per cent. of pot still?—Undoubtedly.

7069. And you would allow it to be sold?—Yes.

7070. It would not be deleterious to the consumer?—No, my lord, not at all, so long as it was two years old.

7071. Then it is only with you a question of the knowledge of the consumer?—I cannot follow you there.

7072. I am asking you for your reasons, and you have just told me that what you want is that the consumer should have a certain quality. You say it will not injure him if he has it with a smaller amount of malt. Is it only this knowledge that you wish the consumer to have?—I wish him to get value. It is his pocket interest, not his health interest.

7073. That is knowledge, is it not? How would he be able to check it unless he knows what he is getting?—Exactly.

7074. That is really what I am putting to you, but you do not seem to appreciate it. That is what you intend to say?—I could not hear you very well.

7075. What you stand by is this, that in the whiskey that is sold there should be 50 per cent. of malt in it?—Yes.

7076. You wish some steps to be taken by which the purchaser, the consumer, should know whether there is 50 per cent. in it or not?—Yes.

7077. You do not object to there being less than 50 per cent. if the consumer knows it?—Quite so.

7078-9. What steps do you suggest should be taken to let the consumer know whether there is 50 per cent. or not?—I think the same steps that are taken to advise him when there is more than a higher percentage of water than puts the strength at 25 under proof. At present whiskey may not be sold under 25 degrees under proof without being defined, therefore I would ask an indication also that the seller should not sell less than 50 per cent. of pot still whiskey without also indicating that fact.

7080. (*Dr. Adeney.*) Scotch whiskey?—Yes.

7081. (*Chairman.*) Are not the two things different? Water can be found out pretty quickly, but how would you test the question whether there is malt to the extent of 50 per cent., or malt to the extent of 25 per cent.?—Entirely by permit.

7082. How is that permit to be obtained?—If you are blending in the Excise warehouses, as long as the whiskey had 50 per cent. of pot still malt whiskey it would be permitted as Scotch whiskey without any further definition. If it held less than that the definition would be stated on the permit. The publican, or the retailer, would therefore know exactly what he was selling from the permit, and he would be obliged to state that fact on the vessel or otherwise from which he was serving it.

7083. There is a good deal of blending that does not take place in the Excise?—A very small proportion.

7084. A good deal I think?—I reckon inside of 10 per cent.

7085. Would you be satisfied with the permit stating "This is Scotch whiskey; it has 50 per cent. of pot still malt," but not saying whether it has 40 per cent., or 30 per cent., or 20 per cent., or 10 per cent.? You do not want that differentiated?—No. I am speaking of the broad definition.

7086. Then you will not carry out your object quite, because the customer would only know it was 51 or 49, and would know nothing more, and would not know whether he was getting 40 per cent., 30 per cent., 20 per cent., or 10 per cent.?—That is so. I am only indicating a broad line of distinction between one grade and another.

7087. I quite see that, but I want to see whether that broad line will carry out your view. Your view is that the customer should know what he is getting?—Yes.

7088. But he will not, will he, under your broad line?—It will assist very largely to define a blend as between a high grade and a low grade. In the average licensed house there are not many grades sold. They are, as a rule, divided into two grades—the tap whiskey and the better-class whiskey. The customer may go for the better-class whiskey and get a tap whiskey, and what I suggest is in order that he may be able roughly to define.

7089. I quite see that, but it does only give a very rough protection to the consumer?—Yes.

7090. Is there any method you can suggest by which you can carry your theory further into effect and let the customer know more than the fact that it is above 50 per cent. or below 50 per cent.?—No, it is too complicated to my mind. I wish it was possible, but I do not see that it is possible. I indicated a rough line that seemed to me possible to carry out.

7091. You seem to give the pot still a good deal of preference over the patent still?—I maintain that pot still is the original Scotch whiskey, and has all the characteristics which have been attributable to Scotch whiskey.

7092. Do you agree that in later years there has been a far greater amount of blending than existed previously?—Undoubtedly.

7093. To what do you attribute that?—I attribute the necessity for blending, in the first instance, to the fact that it is impossible to make whiskey in a pot still without getting much too great a flavour. You cannot reduce the flavour sufficiently to be sold *per se*. The grain whiskey, which can be made with a very small proportion of secondary products, may be admixed in order to bring down the flavour to a certain extent and keep it within popular taste. That, of course, has gone on increasing as the popular taste has gone to lighter articles.

7094. Has the popular taste changed?—Yes, undoubtedly to my mind.

7095. In what direction has it changed?—Towards getting a more refined article.

7096. And that is by putting a considerable quantity of the patent still into the pot still?—Yes.

7097. Public taste has produced that effect?—Yes, undoubtedly.

7098. Why will not you let the public taste deal with its own consumption instead of asking for legislation saying that it should be 50 per cent.?—It seems to me that there is an attempt to go beyond the public taste and introduce the patent still to such an inordinate extent as to probably destroy the public taste and make them forget what Scotch whiskey originally was altogether.

7099. To lose faith?—Yes, that is the danger, I think, and I think that is felt by a large number in the trade.

7100. If you can let the public deal with its own commodity according to its own health, as a general principle you would prefer that to legislation, would you not?—Yes, I think I would. If legislation is to take place I indicate lines on which I think it would be preferable from the general interests of the trade.

7101. But are you quite sure that legislation ought to take place?—No, I do not think so, except with regard to a certain age limit. I do think that.

7102. What do you say as to the age limit?—I give two years as a fair and reasonable age necessarily.

7103. The same for pot and for patent still?—The same for pot and for patent still.

7104. Do you say that is in the interest of the public, that they should not be allowed to drink a newer whiskey than two years old?—I will give you my feeling in the matter. In looking at whiskies, which I have done continuously for 20 years, which is my province, and I do practically nothing else but make samples, I notice invariably with a new whiskey a rapid ether seems to come off the spirit which in two years has disappeared. I cannot give you any more description than that. It is all done by the nose, and the ether seems to strike the nose, but it disappears in time. I cannot tell what it is, but I have invariably seen it throughout my experience.

7105. So far as you can judge, would the existence of that spirit be injurious?—It seems to me it is a highly volatile ether which would go to the brain very quickly if consumed.

7106. That would be very different from anything you would find in wine, I suppose?—No; I find in wine there is something similar.

7107. In a new wine?—Yes.

7108. What wine are you speaking of?—Claret—Bordeaux wine.

7109. Do you recommend that we should legislate against claret?—I do not think it is so much in claret. Possibly, historically, my feelings may have leant that way, but I have certainly noticed it, and continuously noticed it.

7110. What do you say to the use of a pure grain whiskey, that is to say, a patent still whiskey?—I think it is perfectly entitled to be sold as grain whiskey.

7111. Pure patent still?—Pure patent still.

7112. How can you describe it to an ordinary person?—Grain whiskey.

7113. But would you give it to a friend to drink?—No, I would not in my house.

7114. I suppose, to use a colloquial term, pure patent still whiskey is not very acceptable—it is rather poor stuff?—Yes. It is sold to the very lowest class trade.

7115. The middleman obtains it very cheap?—Yes.

7116. And, of course, you can quite see if he sells that very cheap whiskey at the same price at which he is selling the very high priced whiskey, somebody is getting the benefit?—Yes.

7117. And you think the public ought to be protected against that?—I think legislation is necessary.

7118. (*Dr. Cushny.*) Would you call grain whiskey Scotch whiskey?—No, I would call it grain whiskey.

7119. Would you not have to differentiate between Scotch and Irish whiskey?—Yes, I would allow it to be called Scotch whiskey, but the word "grain" should be introduced to define it.

7120. Are you blenders or merely distillers?—Both.

7121. You say in the *précis* of your evidence that your Company blends in three qualities and ages?—Yes.

7122. Is it simply a matter of age and quality?—Yes, entirely.

7123. (*Dr. Adeney.*) I have been asked to put some questions on Mr. Guillemard's behalf. I do not know whether you have given us any evidence as to a minimum quantity of malt in your mash?—No. I mentioned it in my *précis*.

7124. What was that minimum quantity?—30 per cent.

7125. If this minimum quantity of malt be required by law to manufacture grain whiskey, would it not be necessary to ensure that the law was being complied with, and that the materials at every distillery should be kept under close Revenue control?—I think the general regulation would not require that close supervision that you indicate.

7126. What machinery would you suggest?—Occasional measurement.

7127. By Excise officers?—Yes. At present the grain distillers are using 30 per cent.—at least, that was given in Mr. Ross's evidence. That being so, the desire of the trader is that if grain whiskey is used as a dilutant and if the Scotch whiskey is only to be made in Scotland, which is part of my *précis*, that the grain distiller in Scotland should be obliged by regulation to make it according to his present method which satisfied the trade; that he should not have full liberty in his mash tub to make it with any article he desires. We do not believe in conversion by acids.

7128. But still that product you would only allow to be called grain whiskey or Scotch grain whiskey? You would not allow the product to be called Scotch whiskey?—No, not *per se*.

7129. You do that in defence of the reputation of the Scotch pot still whiskey?—Quite so.

7130. And that reputation is of trade value in foreign countries as well as in England?—Yes, the prestige value of Scotch whiskey in foreign countries is an enormous asset of Scotland.

7131. And you stand in danger of losing that if grain spirit is sold as Scotch whiskey?—We do.

7132. You define pot still as a still heated by direct fire. This definition would exclude a still heated by steam. Is that your suggestion?—That is so.

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7133. You require that the pot still should be heated by direct fire?—That is so.

7134. Do you give that as the result of your experience or as an impression?—My experience. I have not seen the essential flavours that I consider requisite from a still heated by steam.

7135. And you have had experience of the product?—I have made comparisons regularly.

7136. With regard to the suggested compulsory bonding in wood for two years, would you require this to be done for spirits intended to be made into gin and compounds?—Either so or an extra duty of 6d. per gallon would be required to be imposed.

7137. Manufacturing chemists use large quantities of spirits. How would you deal with them?—I think that the manufacturing chemists can get spirits without a duty payment.

7138. Under some conditions, but limited conditions?—There is no necessity to keep their spirits for manufacturing purposes at all. I am referring to potable spirits entirely.

7139. If all spirits were required to be kept in wood for two years, how would it be possible to supply spirits at a high strength, such as are required for various purposes? I take it that you would say that those are not potable spirits?—No; It is potable spirits only that I am referring to.

7140. Now, I should like to ask you a few questions on my own behalf. Do I gather rightly from you that you regard blending as simply diluting?—I do.

7141. Diluting with a comparatively flavourless spirit?—I am following your line of argument, but I should say that blending, of course, is a very large question which I could speak for a considerable time upon. It means a good deal more than what you say. I am simply following the line of argument as between pot still and patent still.

7142. I would be glad if you would keep me correct on the real value of blending?—To my mind it is impossible to sell a single whiskey owing to its enormous variation in quality week by week.

7143. Is that from the same distillery?—Yes, and year by year. Every week varies and every year varies. The consequence is that the blender has come into his position because he is drawing from so many sources.

7144. A distinctly legitimate position?—Yes, I meant to have submitted samples, but probably the Commission do not desire it, showing the fact that by using pot still malts alone which we have endeavoured to do we cannot prevent discoloration, and of course, as you know, the public will not stand discoloration.

7145. You mean turbidity on mixing with water?—Yes. Immediately you mix a fine pot still whiskey with water simply containing a shade of lime you get discoloration.

7146. That is turbidity?—Yes, turbidity is rather a strong word. You get opaqueness and then you get this question of over-flavour which the public will also not tolerate.

7147. (*Dr. Cushny.*) Do you get turbidity with Highland water or only with London water?—Our own local Kilmarnock water is almost entirely free from lime, but even there you get it.

7148. We have been told it is a peculiarity of London water?—I think when you were up in the North you were shown samples affected by peat water which is entirely soft, but it showed this opaqueness at once. I can show you the samples.

7149. (*Dr. G. S. Buchanan.*) The objection is in no sense an objection that it alters the flavour of the whiskey?—No, it simply prejudices the buyer when he sees this milkiness in the glass. You may be giving the very finest article made from the pot still, but when the buyer sees it in a glass, especially in the south of England where there is chalky formation, it turns opaque and he refuses it at once.

7150. We were told it was a test of excellence if the public only knew?—It is a test of excellence if they only knew.

7151. (*Dr. Adeney.*) Then blending to this extent is a perfectly legitimate operation and is an improving operation?—Undoubtedly.

7152. But in order to protect the value of the term "Scotch" for your whiskies you would limit the amount of grain spirit to be used in blending?—If it was not legitimate to use the patent still to that extent, then I should certainly recommend pot still pure and simple, but we have tried it and we have absolutely failed to sell pot still whiskey by itself, and we have to use the patent still in a certain proportion, and that proportion to my mind should be strictly limited to the necessity of reducing the flavours and of getting rid of this discoloration. Beyond that it may be used, but it should be defined and stated.

7153. You do not think it would be necessary to call it Scotch blended whiskey?—To my mind that, to some extent, prejudices the public. The use of the word "blend" may be used over a very very wide variation as has been illustrated by other witnesses.

7154. Probably there is a sufficient protection of pot still whiskey in the term "malt whiskey"?—Yes, that is so. They can use that at present.

7155. And that is well understood?—That is well understood.

7156. Do you know anything about Irish pot still whiskies?—I have seen them.

7157. Have you had any experience in the trade with them?—Very small.

7158. You do not know whether they also require blending in the same way that you speak of?—No, but I should fancy they do from what I have seen. I would rather not speak of Irish distillers. My experience is not wide enough.

7159. With reference to grain spirits do you know of your own knowledge whether there is any marked difference in flavour between Irish grain spirit and Scotch grain spirit?—No, I think there is practically none. It may vary a shade of a per cent., but it is a mere shade.

7160. There is nothing in calling it grain spirit, either Irish or Scotch? It would stand by the name of grain spirit by itself?—Except this, that it is our desire in the trade in Scotland to oblige the grain distiller in Scotland to make his goods up to a certain standard. We should like that standard regulated. They do at present do it, but we do not know the day when with a free mash tun they may vary it.

7161. You think with the minimum amount of malt that you take that it might continue?—Yes, and we think with that protection the standard of patent still spirit in Scotland would be beyond that made in the rest of the three kingdoms. The average standard of Scotch grain whiskey is higher than the others; the effect of the malt is noticeable in the whiskey, and that effect we think very desirable, and we should like it regulated.

7162. (*Dr. G. S. Buchanan.*) You told us that your company of John Walker and Sons supply brands in three qualities and ages, which are well known both in home and foreign markets. Are those your proprietary whiskies that are sold in bottles?—Yes.

7163. You have three kinds of whiskies, each sold with a distinctive label?—Quite so.

7164. Have you had any instances in which you have required to see whether the retailer, the publican, has been tampering with the whiskey he has sold out of the bottle as Walker's whiskey?—Yes, we have had many cases.

7165. What do you rely upon to detect any fraud of that kind?—We rely on my knowledge of the whiskey by sampling.

7166. By taste?—Yes.

7167. Or by diminution of alcoholic strength?—Yes, and besides that we standardise the colour of our goods, and we standardise the proportions of malt, and we can tell at once by nose if there is a variation.

7168. (*Dr. Adeney.*) Standardising the colour is easy to effect?—Yes, very.

7169. (*Dr. G. S. Buchanan.*) You have not had any cause to utilise chemical analysis in that connection?—We have used it in order to satisfy ourselves whether chemical analysis was possible. We have had it analysed not only here but in the Colonies and elsewhere.

7170. (*Dr. Adeney.*) Have you analysed exactly similar tasting whiskies to your own production?—No.

7171. In order to show whether there was any concurrence of judgment that one could draw from the analysis and taste of samples of whiskies of like taste and method of production?—No, it is not possible.

7172. It would be possible to try it, and I was wondering whether you had had that done?—No.

7173. (*Dr. G. S. Buchanan.*) Then, besides your large trade in the proprietary whiskies and blends, I take it that you supply retailers and publicans?—Yes.

7174. Would I be right in thinking that one reason why you would welcome a 50 per cent. limit, if any limit was made, is that it would assist you in the interests of what you regard as good Scotch whiskey in resisting pressure to supply cheaper articles for public-house sale?—Of course, there is the continual pressure of competition towards lowering prices going on in every business. That continuous pressure is likely to have the effect, and has had the effect, of making people use the cheaper grades, and using more and more patent still, and disguising the fact that there is so much patent still in the blend, because nobody can tell at present.

7175. (*Chairman.*) In what sense do you say there is too much—too much for taste or too much for health?—Too much for description. I am dealing entirely with misdescription.

7176. (*Dr. G. S. Buchanan.*) Assuming that a 50 per cent. minimum limit of the amount of malt whiskey that was to be allowed in Scotch whiskey was arranged for, I understand that you consider there is no difficulty in checking the proceedings of the blender in regard to description and labelling by the Excise officers in the bonded warehouse?—No.

7177. There is no trouble about that?—No.

7178. The Excise officers can see whether the casks that go out are properly invoiced, or whether the bottles which go out are correctly labelled?—Yes.

7179. Then the case of blending in a duty-paid warehouse would be a more troublesome thing, would it not?—That is so. Of course, the proportion of blending in a duty-paid warehouse is small. If the penalty for altering the standardisation was large, or if the man's licence was affected, or if his trade was affected, it would be a sufficient deterrent to prevent anything of that kind being done

7180. At the same time some check would be necessary in those circumstances. Perhaps you can suggest something from your own experience. Do you do any mixing in duty-paid warehouses?—No.

7181. You cannot tell me whether it is the custom in such places to keep an exact record of the whiskies that are blended?—I cannot tell you what other firms may do in that respect.

7182. One may assume that it would be probable that any trader who was mixing whiskies of different descriptions would keep an account of what he had done?—Quite so. He would naturally do so in his stock book.

7183. Then when it comes to a step further, and you have got the whiskey going to the publican, can you tell me whether the publican very often mixes and does his own blending in some sort of way?—It is rare. It does occur, but it is rare.

7184. (*Dr. Horace T. Brown.*) He reduces the strength always?—Yes.

7185. (*Dr. G. S. Buchanan.*) In ordinary circumstances if the publican merely sold the whiskey as he received it from the blender and the blender gave him an invoice describing the whiskey and the blender's invoice could be checked, you would have the sort of control that you are speaking of?—You would have the history of the goods from the beginning. The temptation or the amount of money involved would not be so very great as to make it worth his while to risk his reputation and the penalty involved.

7186. It would be quite a different matter to his adulterating or altering the whiskey so as to get a considerable direct profit on every gallon. The profit from misdescription would be an indirect one, and only one that would tell in the long run?—Quite so.

7187. (*Dr. Horace T. Brown.*) I do not quite understand what is the particular virtue of the 30 per cent. of malt in the mash used for conversion?—In the grain spirit?

7188. In preparing the grain spirit?—It is the virtue of setting the standard as it at present exists, and which is satisfactory to the trade. The trade in Scotland feels the prestige value attached to the Scotch whiskey trade which they are anxious to protect; they are satisfied with the present production in Scotland because, as a matter of fact, those principally interested in the Scotch trade are largely interested in the patent still companies. They therefore have exercised some control over the article they are buying, and if it was known now that any Scotch grain distillery was using those materials, which it is stated have occasionally been used in Scotland, I am satisfied they would no longer do the trade with the blenders.

7189. I am not speaking of those materials other than cereals. I am merely speaking of the amount of malt which you propose to limit?—We are anxious that the conversion should take place entirely by malt instead of possibly by acids.

7190. It is a question of the 30 per cent. What is the special virtue of 30 per cent. over 25 per cent. or 35 per cent. or 40 per cent.?—We ask to standardise the existing percentage—that is all.

7191. That is to say, you wish to stereotype the present process of manufacture for all time?—Yes.

7192. And to say that a man, no matter whether he is able to produce spirit of exactly the same character with 10 per cent., should not be allowed to do it?—I am not so strong upon this point. I mention it because it has been brought up in the trade and agreed to by the grain distillers, but I do not think this point with regard to the 30 per cent. of malt is so essential.

7193. You would regard the other as absolutely essential, that is, that the distiller should be confined to cereals?—Yes, and that he should convert with malt and not with acid.

7194. But you do not think so strongly on the amount of malt that should be allowed?—I think cereals also should be defined. There is undoubtedly a prejudice against the use of rice.

7195. To what is that prejudice due as far as you know?—I think it is due to seeing the spirit that has been produced from rice.

7196. That is a spirit made on such totally different lines that it could not be used for comparison. Can you give me any reason why, if a grain distiller wishes to use a certain proportion of rice, he should be forbidden? Is there any reason?—Not to my definite knowledge.

7197. *Chairman.*) Do you blend at your premises?—Yes.

7198. How far back does your experience go either by knowledge or record?—Twenty years.

7199. You have interests in the production of both pot still and patent still whiskies?—Yes.

7200. Has the proportion of your production of those two commodities changed in the twenty years?—It practically has remained unaltered.

7201. You have not found the demand which represents public taste alter?—Our variation has been very slight. The public demand with us has indicated certain lines, and we have modified the secondary products. There are pot stills and pot stills. There are some pot stills giving high secondary products and some giving lower. We have used and transferred from the higher product pot stills to the lower, and so again with public taste, without altering our proportion of pot still.

7202. That produces the same result, but according to your knowledge the public taste has gone in favour of a less strong or less pungent commodity?—Yes.

7203. That is shown by aërated water being mixed with it?—I do not know that that has anything to do with it.

7204. It does not change your absolute distinction between pot and patent still, but you alter your pot still to meet the public taste?—Yes. I think my 50 per cent. allows sufficient variation for the public taste.

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7205. But that 50 per cent. is quite apart from the quantity of the pot still to the quantity of the patent still?—Yes.

7206. (*Dr. G. S. Buchanan.*) I should like to ask you one question with regard to a paragraph in your *précis*. When you advocate the ageing of whiskey for two years, you do so not merely in the interest of giving a mere healthy spirit, but you do so on the ground that the consumer would benefit by getting a better article, do you not?—Yes.

7207. You say, "The public interest may be affected if an unlimited proportion of grain be used in excess of the necessary proportions to effect the objects previously defined"?—Yes.

7208. (*Dr. Adeney.*) You admit that you would allow the name of Scotch whiskey to be applied to a blend containing 50 per cent. of malt, and that blending is necessary to meet the taste of the consumers for an older whiskey?—Yes.

7209. But that still contains the essential characteristics of the Scotch flavour?—That is so.

7210. The blending does not mask those, but simply slightly dilutes them?—It may also have the effect of bringing out the flavour. It has that effect.

7211. (*Dr. Horace T. Brown.*) You referred to a certain pungent flavour which new whiskey possesses, and which disappears with age. Is that the same quality of flavour as what is known as "ethery" whiskey?—No. It is of that nature. That is the reason I give it the name "ether." It is exactly of that nature, but it is very very slight—I mean compared with the ethery whiskey.

7212. It is the same general quality of flavour?—Yes.

7213. And that disappears on ageing in the case of the new whiskey?—Yes.

7214. Will you explain to the Chairman what is meant by an "ethery" whiskey?—I am not a practical distiller, but I have seen this "ethery" whiskey so continually. Dr. Schidrowitz has explained at a meeting of the Association what it was due to—whether rightly or wrongly—and he says it is some fault in the fermentation. This ether comes off in such volume that it is almost impossible to bear it either in the eyes or in the nose. It is due to a mistake in fermentation, which is rectified, but in effect it is very similar to the character of ether that I have spoken of. It is very similar, and it has the same effect on the nose.

7215. (*Chairman.*) Injurious?—It appears to me injurious.

7216. Not agreeable?—No. The effect of such whiskey on the palate is doubtful. The arguments before the last Committee were such as to divide very much one side and the other as between new and old whiskey, but it appears to me it is that, if anything, that affects the brain in the consumption of new whiskey.

7217. (*Dr. Adeney.*) Has it been suggested that this ethery whiskey is due to the formation of a body known as formic aldehyde?—I am not a chemist, and I should not like to say.

7218. (*Dr. Cushny.*) I did not understand that you were going to prevent the publican from blending in his own premises. Supposing he got a cask of 50 per cent. Scotch whiskey and a cask of 95 per cent. patent still and 5 per cent. pot still, how are you going to find out whether he is mixing them, and whether he has got two Scotch whiskies?—The publican would know the law and would know the penalties. It may be that the temptation to do so, and what he would gain by doing so, would be so slight compared with the enormous risk he would run.

7219. (*Chairman.*) What would be his offence if he did what my colleague has asked you?—It would be similar to the case raised in the Islington case—misdescription.

7220. You would say, then, that if a man came in and said "Give me a glass of whiskey," he would be right in giving it to him; but if the man asked for Scotch whiskey he would be wrong?—Yes.

7221. A good many people do ask for whiskey?—Quite so.

7222. (*Dr. Horace T. Brown.*) Would you not be expected to ask for grain whiskey, if it contained more than 50 per cent.?—He would ask for whiskey, and if he asked for whiskey, then he is entitled to get what is entitled to the generic name of whiskey, which is anything at any price.

7223. (*Dr. G. S. Buchanan.*) Your case would depend on his putting up a notice, would it not, if he sells anything which is not Scotch whiskey?—That is so.

7224. He has got to put up a prominent notice to the effect that it is Scotch grain whiskey, just as he now puts up a notice that he does not sell spirit merely as spirit, but he sells it as spirit and water?—Yes. If he sells under 25 under proof he must indicate that in his premises. It is rare that a man would take the risk of public opinion by putting up that notice, but if he likes to take the risk of public opinion, and state what he is selling, then he is within the law.

The witness withdrew.

Mr. J. T. Townsend.

Mr. Joseph Travis Townsend, called.

7225. (*Dr. G. S. Buchanan.*) Are you Chairman of the West, South and East of Scotland Malt Distillers' Association?—I am.

7226. Can you tell us what that Association comprises, or, rather, what does it not comprise in malt distilleries?—It does not comprise the North—Speyside and all that district to the North, nor Campbeltown.

7227. But it does include Orkney?—I happen to have my residence in Glasgow, and therefore it is convenient for me to attend, and several other of our members who have their business premises in Glasgow but have their distilleries in the North, such as Mr. Walker, belong to our Association.

7228. You built a distillery in Orkney in 1885?—That is so; the Scapa.

7229. You have been sole proprietor of it since December, 1887?—Yes.

7230. You make pure malt whiskey there?—As far as I know.

7231. What is its type broadly?—That is a question I would rather you asked the blenders, because I hardly care to advertise my own goods.

7232. We have been told that malt whiskey is generically divided into Highland malt, Lowland malt, Islay, and Campbeltown?—Then it should be described as Highland malt and Lowland malt in that case.

7233. You were agent for over 20 years of Linkwood Glenlivet?—Yes.

7234. Is that a distillery now working?—Yes.

7235. And also you were a director for several years of that distillery and of Convalmore, which are both pure malt distilleries?—Yes.

7236. You were Managing Director of Ardgowan Distillery, Greenock, from its inception in 1887 to its amalgamation with the Distillers' Company, Limited?—Yes.

7237. That is a grain distillery?—Yes.

7238. What, in your opinion, should the term "Scotch Whiskey" cover?—I think the term "Scotch Whiskey" should be applied to a beverage which is suitable to the public taste and health, from cereals made in Scotland.

7239. Do you advocate any limit of malt whiskey in Scotch whiskey?—Personally, from my own experience, I do, because I prefer a blend which has a considerable amount of malt in it, but I have no experience as a blender in supplying the public.

7240. You cannot speak for your Association in advocating a minimum quantity of malt? They are not agreed upon that?—Collectively we were, but individually we were not. Collectively we agreed that it would be advisable to standardise, if possible, Scotch whiskey, and to standardise that as high as ever possible.

7241. (*Dr. Adeney.*) Do you give any particular value to that standard?—Personally, I do.

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7242. (*Dr. G. S. Buchanan.*) May we have your personal opinion?—My personal preference is for, say, 50 per cent. of a high class malt and 50 per cent. of a good well-matured grain.

7243. (*Dr. Adeney.*) Do you say that because that gives you the distinctive Scotch flavour?—It not only gives the distinctive Scotch flavour, but it makes a pleasant beverage. If I drank pure malt alone (I am talking of high class whiskies), the result is not pleasant and sometimes disastrous.

7244. (*Chairman.*) To you?—To me personally.

7245. Do you mind telling us what the disaster was?—It is rather a long story, but I suffered from a bad mouth.

7246. (*Dr. Adeney.*) You have given us your opinion as to a pure malt. What is your opinion as to pure grain spirit?—I have had very little experience there, except once or twice I have drunk pure old Port Dundas with great age on it and found it quite pleasant.

7247. That is quite an exceptional grain spirit?—Yes.

7248. Why was that spirit kept so long if there was nothing special about it?—It improves by age.

7249. Does all grain spirit do that?—Oh, yes.

7250. (*Dr. G. S. Buchanan.*) Then I understand your evidence to be this with regard to Scotch whiskey, that it should be whiskey made in Scotland and from cereals, and that you personally would have no objection to a standard of 50 per cent. of malt whiskey in all Scotch whiskey?—Yes.

7251. At the same time there is one other point you refer to in your *précis* which I should like to have upon the notes. You say "I have a personal preference for blends, as no single whiskey, especially the better class malts, has yet proved successful on the market. Pure malt blends are largely made up of Lowland malts, and the latter are made as silent as possible." Have you had any experience in distilling silent malt whiskies?—None whatever.

7252. You tell us also you thoroughly approve of an age limit and think that a minimum of two years should be enforced at once. On what grounds do you advocate that?—Because I consider that age is part of the process of manufacture.

7253. (*Dr. Adeney.*) Does that refer to malt whiskey only?—To all whiskies.

7254. Grain and malt?—Yes.

7255. (*Dr. G. S. Buchanan.*) Do you make a self whiskey at Orkney?—No.

7256. It has never been sold separately?—It has, but not very successfully.

7257. Does it blue with water?—Oh, yes.

7258. Is it a soft water in Orkney?—No, it is a hard water.

7259. The discoloration is with a hard water?—Yes.

7260. Do you happen to know the number of degrees of hardness?—I had an analysis made by Dr. Clark, and one analysis showed 12 degrees and the other showed 18 degrees of hardness.

7261. (*Dr. Horace T. Brown.*) With regard to the age limit you have said that you consider ageing part of the manufacture?—Yes.

7262. That applies also to the manufacture of beer, or wine, or cider?—I have no experience of that.

7263. Would not any regulation of that sort which will be applicable to whiskey be equally applicable to all other beverages?—I have no experience there.

7264. (*Dr. Adeney.*) Your definition of whiskey is a very open one. Do you think the reputation of Scotch whiskey could be entrusted, so to speak, in the hands of grain spirit?—As grain whiskey.

7265. But as Scotch whiskey?—No.

7266. So that you would not consent to call a Scotch patent still spirit Scotch whiskey?—No.

7267. (*Dr. Cushny.*) Would you call it Scotch grain whiskey?—Yes.

7268. (*Dr. Adeney.*) Have you any knowledge of the Irish pot still whiskey?—None whatever.

The witness withdrew.

Mr. J. Scott

Mr. James Scott, called.

7269. (*Dr. Horace T. Brown.*) Are you the Chairman of the Clydesdale Distillery Company, Limited?—Yes.

7270. Are they pot still malt distillers?—That is so.

7271. You have been also a partner in that firm and in their predecessors James M. Mackenzie and Co., your experience lasting over many years?—Fully forty years.

7272. You have, I believe, a knowledge of the practical working of the malt whiskey distilleries, as well as of the commercial management?—Yes.

7273. How would you define Scotch whiskey?—I would define it as Scotch malt whiskey—all whiskey made from malt only—and I would define Scotch grain whiskey as whiskey made from a mash of cereals containing 30 per cent. of malted barley.

7274. Would you allow any cereals to be used in the mash—any cereals which the distiller might wish to employ?—I should think so—in the mash of grain spirit, but not in malt.

7275. You would not exclude even rice from that mash?—I have no knowledge of what the effect of rice would be.

7276. But you would give a limitation to the employment of malt? You would make it obligatory that the distiller should use not less than a certain amount of malt?—That is, in grain whiskey?

7277. Yes?—30 per cent. was what was agreed upon at a meeting of the East, West and South of Scotland Association.

7278. And that product you would call Scotch grain whiskey?—Yes.

7279. Would you, under any circumstances, allow that to be sold as Scotch whiskey?—Not without a blend of malt whiskey in it.

7280. What is your particular idea with regard to labelling the blends? How are they are to be described—blends of varying amounts of grain and malt whiskey?—You will see from the evidence of the Chief Inspector he gives fourteen different blends, which vary from 85 per cent. of malt and 15 per cent. of grain to 4 per cent. only of malt and 96 per cent. of grain. I therefore would make the suggestion for the protection of the public and of the blender who gives the large proportion of malt whiskey in his blends, that the name should be "A blend of malt and grain whiskey," where the larger proportion was malt; and if the larger proportion was grain whiskey then the name should be "A blend of grain and malt."

7281. Giving the preference to the dominant partner?—That is so. It seems to me a simple way of protecting both the blender and the public.

7282. Where malt whiskey and grain whiskey are blended, you would require that some declaration to the public should be made that they are receiving a blend?—Yes.

7283. How would you deal with the whiskey over the counter in such a case as that?—I suppose they would have to label everything.

7284. Every glass of spirit that a man asks for?—No. He would have to ask for a blended spirit. That is where the difficulty crops up of protecting the consumer who is supplied over the counter, but if there was nothing allowed to be sold except under these descriptions, I think it would meet the case. I forgot to mention that in the description of Scotch whiskey it should be made in Scotland only.

7285. You would not confine him to the pot still?—No; I should allow it to be blended.

7286. Where the blend is only of different malt whiskies, you would call it malt whiskey?—Certainly.

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7287. And where only grain whiskey is used you would have it described as grain whiskey?—Certainly.

7288. Are you in favour of compulsory bonding for any length of time?—No, I think it would be an interference with trade, but if the public should demand it, I should raise no objection, provided that every spirit, home and foreign, was compulsorily bonded for the same period, and that if it was made into law you should allow one year to bring it into force.

7289. (*Dr. Adeney.*) You mean foreign potable spirits?—Yes, such as rum and brandy.

7290. (*Dr. Horace T. Brown.*) What about gin?—Gin would have to be the same.

7291. Are you aware that gin deteriorates by age?—I am not aware that it deteriorates. I understand it does not improve, and that is where the difficulty comes in. I do not propose a limit for bonding.

7292. You think it would interfere too much with trade?—I think so.

7293. You have put in an Appendix to your *précis* referring to the Inland Revenue Warehousing Code, Sections 336 and 337, as to adding colouring matter to spirits for exportation or ships' stores, with the view of suggesting that the Commissioners should recommend that Section 336 of the Code should be altered to limit the quantity of sweetening or colouring matter allowed to be put into whiskey or spirits for exportation and ships' stores as for home consumption, viz., one pint to every 80 gallons—see Section 334—and that Section 337 be deleted. And you say, "This might remove the objections of the United States Customs. This matter was dealt with by the Central Association of Malt Distillers of Scotland on 11th October, 1907"?—I can read you the sections if you wish. I have them here.

7294. What are you proposing to read from?—The Warehousing Code of the Excise and Customs.

7295. Would you read Section 336, which you would like to see altered?—"Colouring matter for spirits. Spirits in a vat may have ordinary colouring matter at the merchant's discretion as to quantity added for exportation only, or it may be added to the spirit when in casks provided that in the latter case such addition be made only"——

7296. You are not quoting exactly from the Code?—Yes, I am.

7297. I have the Code here, and it is worded rather differently. I will read Section 336: "Ordinary colouring matter at the merchant's discretion as to quantity may be added to spirits in a vat when they are intended for exportation only, or it may be added to spirits in casks for exportation, but in this case the addition is to be made only after the delivery account for shipment has been taken and the transaction need not be entered in the accounts." Is that as you have it there?—The wording is a little different, but it is practically the same.

7298. (*Chairman.*) They may be different editions for different years issued at different times?—Yes.

7299. (*Dr. Horace T. Brown.*) Have you a date for your edition?—This book is dated 1907. This is not an official copy, but it is practically the same as you have read except the words are put in a different arrangement.

7300. Would you kindly explain to the Commission in what way you would like to see that section altered?—I would like to see it altered to the same as Section 334 for home consumption.

7301. Section 334 is this: "Colouring matter in a fluid state may be added to British spirits for home consumption in the proportion of one pint to every 80 gallons on the distinct understanding by the proprietor that the addition of colouring matter shall not be a ground for altering the usual allowances, and that it shall not change the denomination of the spirits." Then, as I understand it, the difference is this, that with regard to British spirits for home consumption the amount of colouring is limited?—Yes.

7302. And wth regard to the colouring of spirits for exportation, it is practically unlimited?—That is so.

7303. And you would like to see the same limitation imposed on the exported spirits as there is now on the home spirits?—Yes.

7304. What is the particular reason for that?—That it might remove the objection of the United States Customs.

7305. They are objecting at the present time to the addition of colouring of any kind, are they not?—Yes. I think when Dr. Wiley was over in this country in October, 1907, this matter was brought up before the Central Association of Malt Distillers, but he said there is nothing to prevent them colouring it so that it would be compounded spirit, and apparently his opinion was that if it was limited to the same as for home consumption they would be satisfied.

7306. I believe it is the fact, is it not, that quite recently the landing of certain spirits has been forbidden by the United States simply because they contain a small amount of colouring?—I believe so, but I understand that has been removed.

7307. (*Dr. G. S. Buchanan.*) They were subsequently released?—Yes. This was also brought before you by Mr. Seaman, and it is approved of by our West of Scotland Association.

7308. You make a Lowland malt at your distilleries?—Yes.

7309. Have you sold any of it as a self whiskey?—Yes. I drink nothing else myself but pure Lowland malt whiskey, and have done so for forty years.

7310. Pure?—Yes.

7311. Do you think it improves it to add grain whiskey to it?—No. Certainly not.

7312. (*Dr. Adeney.*) With regard to the blend you refer to as a blend of grain and malt whiskey in which the grain predominates, would you allow it to be described as Scotch whiskey?—Yes, if there is malt in it.

7313. You do not care how little malt so long as there is malt?—I do not see how you could prevent it. I would prefer to have a large percentage of malt if we could.

7314. Would you think it safe to leave the reputation of Scotch whiskey to a blend containing only five per cent. of malt? Would you be satisfied to have a blend containing five per cent. of malt sent to America as Scotch whiskey?—I do not see how you could prevent it.

7315. If you could prevent it would you think it desirable?—Yes, certainly.

7316. (*Chairman.*) Do I understand you to say that you produce nothing but the pure malt whiskey?—Yes, my lord.

7317. Do you object to the blend altogether and object to any grain being mixed with it?—No, not at all. The question was asked whether I thought it improved it. My own personal opinion is that it does not, but to meet the public taste I certainly do not object to blending. In my evidence I have tried to show how you could define certain blends; that is all.

7318. What I understand you to say is, if you were to drink it yourself you prefer the pure malt?—That is it.

7319. But the public have their view, and therefore the blending has gone on increasing?—Yes, and will go on increasing.

The witness withdrew.

Mr. Robert Bertram Gillespie Greig, called.

7320. (*Dr. Adeney.*) You are Vice-Chairman of the Glasgow and West of Scotland Wholesale Wine and Spirit Distillers' Association?—Yes. There are 70 members of that Association in Glasgow—blending firms.

7321. You are managing director of Wright and Greig, Limited, Highland malt distillers and Scotch whiskey blenders, of 64, Waterloo Street, Glasgow?—Yes.

7322. How long have Messrs. Wright and Greig been blenders and bottlers of Scotch whiskey?—Practically 25 or 30 years. The firm was founded in 1868.

7323. And do they do a considerable trade?—Yes, both at home and in export.

7324. What would you define as Scotch whiskey?—Any spirit that is made in Scotland as it is made at the present time; either grain whiskey or malt whiskey I should define as Scotch whiskey.

7325. Do you, as a matter of fact, export grain whiskey as Scotch whiskey?—I do not think we have ever exported any grain whiskey as Scotch whiskey.

7326. Have you a large sale of grain whiskey as Scotch whiskey?—Oh, yes, a considerable amount of grain whiskey in the home trade, not in the export trade.

7327. I mean pure grain, not in the blended condition?—No, not pure grain. It is always blended with a certain proportion, but the proportion varies according to the price that the customer pays for the blend.

7328. But you do not sell, even in your home trade, much pure grain spirit?—No, not much pure grain spirit.

7329. What limit would you give to the product of the patent still if described as whiskey?—I would not give it any limit.

7330. Would you require it to be provided from any materials?—As it is made in Scotland at the present time.

7331. And that is from what materials?—From maize, and barley, and rye, and oats, and wheat—not rice, though I have no reason for particularly objecting to rice further than there seems to be an idea in the trade that spirit made from rice is very fiery.

7332. You would not object if anybody suddenly set up a patent still distillery in your locality and produced a whiskey or spirit from molasses?—Yes, certainly I would. It should only be from cereals, not from molasses.

7333. You do limit it to cereals?—Yes, certainly.

7334. I see from your *précis* of evidence that you would fix the quantity of malt in the mash tun?—That was the resolution come to to safeguard the trade—30 per cent. of malt. They have no objection to making it 35 per cent. or 25 per cent.

7335. You think it is desirable to put some limit?—Yes.

7336. And the 30 per cent. has been decided upon?—Yes, with the consent of the grain distillers.

7337. What is the character of the spirit produced in this way as compared with pot still whiskey?—It is a much more silent whiskey; it is not a whiskey without a flavour. It has a distinct flavour of its own, and any expert blender in Scotland can tell you the difference between the product of two or three different grain distillers. They are not the same; they all have a flavour of their own, and they all mature by age, and they vary in price according to what the blender thinks the value of them is. Some grain whiskies are sold at a penny a gallon less than others.

7338. Is there any distinctive difference between the Scotch grain and the Irish grain spirit?—Not that I know of. I have very little experience of Irish grain personally. We do not use it, and I have never seen samples of it.

7339. Would you think it desirable to give the name of Scotch whiskey to grain spirit?—I see no objection at all.

7340. You do not think it is possible to limit the word "Scotch" to a spirit containing at least some definite proportion of malt?—No, I do not think it is necessary at all.

7341. Are you not in danger of losing the reputation of your Scotch whiskey?—No, we find we are selling more of the better-class Scotch whiskey than we ever did before.

7342. Why?—Because the public is getting educated up to know what a good quality is.

7343. What does the quality depend upon?—It depends upon the blend—what we call a good blend of whiskey.

7344. Does not that depend upon the quality of your grain or your malt?—No, only that you cannot make a good whiskey with an old grain whiskey and a new malt whiskey. You must have them both old.

7345. Taking a good grain, does the quality vary as the proportion of malt varies? Supposing you have a blend of grain and 25 per cent. of malt?—The blend would vary very much. If there was only 25 per cent. of malt it would be different to the blend where you have 50 per cent.

7346. Which would be more valuable?—The one with the 50 per cent. of malt.

7347. So the value of your blend depends more on your pot still?—Certainly.

7348. Are you quite satisfied that the reputation of Scotch whiskey is safe in the hands of grain spirit?—That is rather a difficult question to answer in a way, because we maintain that the quality of the whiskey that is sold at the present time, if the public like to pay the price for it, is perfectly capable of maintaining the reputation of Scotch whiskey.

7349. And that is based on the fact that the pot still is more important?—Yes, not pot still by itself, but as a blend.

7350. By Scotch whiskey you would consider certain distinctive characteristics as to flavour?—Yes.

7351. And aroma?—Yes.

7352. And those are due principally to the pot still?—Yes.

7353. Then as to the question of a minimum time limit for the bonding of new whiskey, what do you think?—The Associations which I represent were of opinion that if it was proved that new whiskey was injurious they would have no objection whatever to an age limit of two years, if it was thought necessary, to protect the cheaper classes of whiskey, or to protect the working man against himself. From my own experience, certain classes of people prefer their whiskey new. They would not thank you for an old whiskey. I have had experience of that.

7354. Have you any knowledge yourself as to the effect upon the system of new as against old whiskey?—No, I am afraid I have never tried either of them in excessive quantity.

7355. At the time of the Islington case your firm had inquiries from customers for pot still whiskey?—Yes.

7356. What was your further experience from those inquiries?—We sent out the pot still whiskey in casks and in bottles, and in a great many cases, after some months, our customers asked us to take back the whiskey, or a proportion of it. They had only sold a very small quantity: it did not suit their customers. That was our own pot still whiskey.

7357. (*Dr. Cushny.*) Was that newer?—No, it averaged seven years old—the blend we sent out.

7358. It was not the newness that the customers complained of?—No, they considered the flavour was too pronounced.

7359. (*Dr. G. S. Buchanan.*) Were you anxious to encourage the trade?—Certainly; we had quite as much profit from the one trade as from the other. Every firm requires a certain proportion of profit in order to carry on their business.

7360. Would the retailers to whom you passed the whiskey on get the same amount of profit?—Exactly the same. We charged them the same price as they were paying for the first whiskey, and they retailed it at the same price.

Mr. R. B. G. Greig.

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7361. (*Dr. Adeney.*) Have you any knowledge of the Irish whiskies?—None whatever. We do hardly any trade in Irish whiskey.

7362. In your *précis* of evidence you say that you consider that the large and increased trade during recent years, both at home and abroad, that has taken place is entirely owing to the good blends of malt and grain whiskey?—Yes, that is my opinion.

7363. You limit it to good blends?—Certainly.

7364. What do you regard as bad blends?—I regard as a bad blend a blend of new whiskey. I do not consider new whiskey of any kind, whether all pot still or all patent still, is good personally.

7365. Would you regard a blend of five per cent. of malt and 95 per cent. of grain a bad blend?—No, if it was old—certainly not if it was four or five years old.

7366. Would you expect such a blend to give the full characteristics of Scotch whiskey?—No, not the full characteristics. It would only be a very silent blend.

7367. As a Scotch trader you would not care to put that forward?—No, I would not care to drink it. The competition at the present time is so keen amongst blenders that there is very little of that sort of thing done. The whole thing hinges on a matter of price.

7368. (*Dr. G. S. Buchanan.*) Where is your distillery?—In Morayshire, near Forres.

7369. How long have you had it?—About eight or nine years.

7370. May we have its name?—Dallas Dhu they call it.

7371. It is at work this season?—Yes.

7372. Has it ever put out a self whiskey apart from its efforts to supply after the Islington case?—Yes, before the Islington case we bottled the whiskey and sold it, and we do it at the present time.

7373. You regard it as a good self whiskey?—We do.

7374. Your profit on selling that self whiskey would be less probably than your profit on selling blends, would it not?—Oh no, it is all a matter of age. You may take a blend consisting largely of young grains; it is all a matter of age. We have the same profit from that whiskey sold at seven years of age as we have from selling a blend which we sell at the same price. The only difference is that the blend is 10 years old and the pot still is seven years old. They are both sold at the same price.

7375. To get the pot still at its best you would like it more than seven years old?—It depends on the pot still. Some pot still matures much faster than some other, owing to the character of the water.

7376. Do I understand that your firm's principal dealings are in sending out whiskey already bottled?—Yes.

7377. And in cask?—Both in cask and in bottles.

7378. Do you see any difficulty in making the declaration on the bottles according to whether you supply a grain whiskey or a blend of malt and grain?—There is no difficulty in putting on the blend "This is a blend of malt and grain whiskey," but we should object to state the proportions.

7379. Supposing the suggestion we heard this morning was adopted, and that you differentiated between whiskies containing more than 50 per cent. of malt whiskey on the one side and less than 50 per cent. on the other, would it be a difficult matter for you to classify your whiskies in that way?—Oh, no, it is a very simple matter to state.

7380. You know exactly what it is?—We know exactly what it is, but I do not think it would help the purchaser.

7381. Do you label any of your bottles to the prescription of the person who is going to sell them—the retailer?—You mean to make a blend to suit him.

7382. To put labels on of the kind that he requires you to do or desires you to do?—Yes, occasionally we bottle whiskies with the name of the purchaser as if it was his own whiskey.

7383. And the description that he would like you to put on of what the blend is called?—Yes.

7384. Do you ever object, or have you had occasion to object, to the kind of description as applied to the kind of whiskey supplied?—No, we never have.

The witness withdrew.

(Adjourned for a short time.)

Mr. R. Brown.

Mr. Robert Brown, called.

7385. (*Dr. G. S. Buchanan.*) You are senior partner of Robert Brown and Company, wholesale whiskey merchants, brokers and blenders, of 45, Washington Street, Glasgow?—That is so.

7386. Your firm is an old established one?—Yes.

7387. Will you tell us what its principal trade consists of?—In blended Scotch whiskey in bulk chiefly in Scotland.

7388. In bulk which you supply to whom?—To retailers.

7389. The retailers being mainly whom—wine merchants?—Wine merchants and publicans.

7390. Do you supply brewery companies at all?—No.

7391. Your trade is chiefly in Scotland?—Yes, chiefly in Scotland.

7392. Is your trade also in bottled whiskey?—No, it is almost entirely in bulk.

7393. You have offered to give us your opinion as to what Scotch whiskey should be, and your experience of it, on your own behalf?—On behalf of the wholesale houses.

7394. Not on behalf of any association?—Yes. On behalf of the wholesale trade in Glasgow, I understand.

7395. You define as Scotch whiskey any spirit manufactured in Scotland, whether in a pot still or a patent still, from barley, whether malted or not, oats, maize, rye and wheat as presently manufactured in Scotland?—Yes.

7396. And you understand that the patent still mash at present contains not less than 30 per cent. of malt?—I believe so.

7397. You take that on information given you?—Solely.

7398. By whom?—By the distillers.

7399. The distillers concerned? There are only two or three grain distillers companies in the whole of Scotland, are there not?—There are three, any way.

7400. Do you deal with all those three firms?—No, I do not think so, we deal with the Distillers Company and the North British Company.

7401. Have both those firms informed you that they use not less than 30 per cent. of malt in the mash?—The Distillers' Company have.

7402. Exclusive of green malt?—I do not know about that.

7403. You consider the spirit produced at present from the patent still mash is entitled to be called Scotch whiskey?—Yes.

7404. Just as much as the spirit produced from a whole malt mash by a pot still is entitled to be so called?—Yes.

7405. At present you make a distinction, do you not?—Yes, at present I call the one grain whiskey, and the other malt whiskey, but if blended I call them blended whiskey, and I hold them all to be Scotch.

7406. You are obliged to as a matter of trade?—Yes.

7407. You have not the faintest doubt whether you are dealing with grain whiskey or malt whiskey?—No.

7408. If you blend them you call them blended whiskey?—Yes.

7409. You hold them all to be Scotch?—Yes.

7410. Inasmuch as you have, for instance, no dealings with patent still distilleries outside Scotland?—That is so.

7411. What information do you pass on to your customers about the whiskies that you send out?—Practically none at all.

7412. You sell to them by price?—By sample and price.

7413. If any customer asks you what he is getting in the way of proportion of malt, you have no hesitation in telling him?—No.

7414. You do tell him?—Yes.

7415. Are you asked?—Yes, we are asked, but very rarely.

7416. If it was a question of describing a blend of a malt and a grain whiskey, putting it into the two categories that have been suggested to us this morning, according to the amount of malt that was contained in them, and the line was drawn at 50 per cent., which was, I think, the figure suggested, you would have no difficulty in invoicing them on one side or the other?—None at all.

7417. You know exactly how much malt whiskey is contained in your blends?—Yes.

7418. Would a declaration to that extent in any sense be giving away trade secrets, or anything of that kind with regard to the composition of your blends?—I do not quite catch the drift of your question.

7419. The suggestion was made to us this morning with regard to the blends of malt and grain whiskey, that if there is more than 50 per cent. of grain in the blend it should be separately distinguished and notified?—I do not agree with that.

7420. My first question was whether there would be any practical difficulty in separating them. You could do it, I take it?—Yes, I suppose we could do it.

7421. You would know what any blend you send out contains?—I know what it contains.

7422. And you would know whether it contained more than 50 per cent. of malt or less?—Yes.

7423. My second question is, what would be your objection to that?—That I do not see any necessity for it. I hold that any blend of grain and malt is blended Scotch whiskey.

7424. Quite so, but would it in any way prejudice you if you let your customers know that they were having in the one case a blend with more than 50 per cent. of malt, and in another case a blend with less than 50 per cent. of malt?—No, I do not think it would prejudice me.

7425. You have some experience, have you not, as to the improvement of grain whiskey with age?—Yes, I have. I think it improves considerably with age.

7426. Another point you wish to tell us is that no generally palatable blend of Scotch whiskey can be produced without a proportion of grain whiskey?—That is my opinion from experience.

7427. And that the proportion of grain whiskey in a blend makes the consumption of heavy full-flavoured malt whiskies possible?—That is my opinion.

7428. Do you think that that is essential on account of there being a number of malt whiskies in the market which are especially heavy and full flavoured?—Yes, there are quite a number of whiskies full flavoured and heavy flavoured.

7429. That is to say, there are some malt whiskies to which a proportion of grain whiskey is more desirable to produce a satisfactory article than others?—That is so.

7430. You do not deny that some excellent whiskies are produced solely by particular distilleries as self whiskies?—No, that is quite true.

7431. Can you tell us anything about the amount of dilution with water that a malt whiskey will stand so as still to give a palatable article?—I do not quite understand what you mean.

7432. Comparing a malt whiskey with a whiskey that consists as regards 70 or 80 per cent. of it of grain, it will stand a great addition of water and still produce a beverage which is tolerable to the palate?—I do not think there is any difference for drinking purposes.

7433. Will you tell us your views regarding an age limit?—Personally I see no necessity for an age limit, but if it were proved to me that it would be to the advantage of the public health that there should be such an age limit, I should be quite willing to acquiesce in it.

7434. You would regard it solely as a question whether the public health was prejudiced or not?—Yes.

7435. You would not take it on the broader basis that an age limit would secure that Scotch whiskey as a whole was a better article?—No, I would not take it on that basis.

7436. You would have no doubt that you would provide a better article?—Personally I would rather drink it with age.

7437. (*Dr Adeney.*) Have you a considerable sale, in proportion to your blend, of pure grain spirit?—No, not now, but we used to have.

7438. The blend is preferred?—Yes, the blend is preferred now.

7439. Can you tell us why you think that is so?—I know it.

7440. But why is it so?—It is that the habit, the custom of the trade, has changed in favour of blends.

7441. The consumer, I suppose, prefers the blend?—Yes. In Scotland, I think, for convenience, the retailer prefers having the work done by a blender, and I think he gets a better whiskey than by blending it himself.

7442. I should like to ask you what are the relative proportions you sell of pure grain spirit and blends?—We sell comparatively little of the pure grain spirit—very little. Lately there has been a slight demand for it, I think, since the Islington case, but I do not know how long that may last.

7443. It is not increasing?—No, I do not think it is increasing, but there always has been in Scotland anyway a demand for grain whiskey as a self whiskey. That is quite an old thing, and it dates back some time.

7444. Have you any knowledge of Irish grain spirit?—No, very little.

7445. Is the flavour distinctly different?—No, I do not think so. I think it is probably a little thinner.

7446. There is no such difference as between the pot still whiskies of the two countries?—No.

7447. I see you are willing to extend the word "Scotch" to any spirit produced in Scotland. That may be safe enough for a trade confined to Scotland, but do you think that would be safe for the English or foreign trade?—Yes, I think so.

7448. What, to your mind, is the value of "Scotch" as applied to whiskey?—I think it is of very great value.

7449. In what does the value consist?—In the reputation of Scotch whiskey.

7450. What is that reputation based upon?—The quality of the whiskey produced—upon its flavour.

7451. One of your answers goes to show that there is not much difference, as far as flavour is concerned, between Irish whiskey and grain spirit?—That is as to grain spirit. I agree that, apart from Irish whiskey being probably thinner, there is not much difference.

7452. So that the real difference as to quality depends upon the malt that is in the blend in the case of the Scotch whiskey?—Yes, the flavour depends upon that portion of the blend.

7453. If you could regard yourself as one interested more in the English and foreign trade than in the Scotch trade would you be content to give the word "Scotch" to grain whiskey?—I would call it Scotch grain whiskey, I think. I am quite prepared to do that.

7454. Do you think that would be fairer than calling it Scotch whiskey?—Yes, I hold it is Scotch whiskey.

7455. I am now talking of the foreigner resident outside Scotland, or take any one resident here in London for instance. Would you think the grain spirit would have that character for flavour which you have in your mind which is peculiar to Scotch

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whiskey?—Yes, I certainly think it would if it is old grain whiskey.

7456. How would the ordinary consumer in London distinguish between an Irish grain spirit and a Scotch grain spirit if there is so little difference in flavour?—I do not think he would.

7457. He would if it were a Scotch blend, or an Irish blend if he had any knowledge of the whiskies of the two countries?—I do not know that the ordinary consumer would.

7458. I am now talking more of the intelligent consumer who would have a knowledge of the distinguishing characteristics?—If he had that he would know the difference between a blended Scotch and a blended Irish whiskey.

7459. So that the value of Scotch is its characteristic flavour?—Yes.

7460. And that flavour is to be derived more from malt than from grain?—Yes.

7461. (*Dr. Cushny.*) Do you not think it is necessary to maintain a certain amount of malt in Scotch whiskey?—I think it is desirable. Do you mean in a Scotch grain whiskey or a blend?

7462. I mean a blend of Scotch whiskey?—Yes, I think so.

7463. What percentage would you suggest?—Personally I would recommend for my own use quite a good proportion of malt whiskey.

7464. Could you give us a figure instead of saying a good proportion?—The difficulty of putting a figure is that you are dealing with different malt whiskies, some of which are very heavy, and could stand a greater admixture of grain, and some of which are Lowland, which would stand very little.

7465. What is the minimum you would suggest?—I think 25 per cent. of malt should be the minimum.

7466. Fifty per cent. has been suggested?—Yes.

7467. Would you object to that? Would you think that an unfair standard?—Yes, I think it would be, and as a matter of fact I object to any standard on principle, either 25 per cent. or 50 per cent.

7468. You must have some standard if you are going to preserve the character of Scotch whiskey?—I quite agree that a blend of Scotch whiskey should contain malt whiskey, but it depends on what you are blending as to what the standard should be. Twenty-five per cent. does not mean very much if you are blending with light malt whiskies, but if you are blending with heavy malt whiskies it is probably more than ample.

The witness withdrew.

Mr. W. C. Teacher.

Mr. William C. Teacher, called.

7469. (*Dr. Cushny.*) You are a Highland malt distiller, and also a wholesale dealer in Scotch whiskey and other blends?—Yes.

7470. Does that mean a blender?—Yes.

7471. Do you consider it is desirable to place restrictions upon the manufacture or sale of Scotch whiskies?—I think it is not.

7472. You do not consider it is desirable to place any restrictions whatever upon the manufacture or sale?—No. As to the manufacture if you deal with patent still whiskey I consider that as presently manufactured it is quite satisfactory, and it is a good wholesome article.

7473. It is simply as to the kind of still that you object to restrictions being put?—I am not a practical distiller, and least of all a grain distiller, so that I should not like to venture an opinion with regard to that. I would just say, as I said before, that as at present manufactured I consider it is quite satisfactory, looked at from the point of view of the consumers or the blenders.

7474. Do you think there is any difference in the wholesomeness or unwholesomeness between the various kinds of Scotch whiskies?—I do not.

7475. How do you account for the view that some hold with one kind and some approve of the other?—I cannot understand it.

7476. Do you find that the taste of individuals varies a great deal in regard to it?—The tastes vary very much. I could give you an example, and I could say a word or two on that point if you desire it.

7477. Yes, we should like to hear it?—The public taste has changed very much during, I might say, the past twenty years. My firm's style has always been a very malty one, but twelve or fifteen years ago we had to introduce lighter and less pronounced whiskies to suit the changing taste. I might also mention that till about twenty years ago a large licence holder in Glasgow whom my firm supplied sold at 4d. a glass, that is half a gill, only pure malt whiskey, but finding the public taste changing, he had 20 per cent of old grain whiskey added, and some years later he increased that to 25 per cent. I just mention that because I think it is an important point. This licence holder was noted for the quality of the article supplied.

7478. Was the profit the same on the two kinds?—Yes, the old grain added would approximately be the same value.

7479. And his price the same?—Yes, the retailing price was the same. This was 2d. per half glass.

7480. (*Dr. G. S. Buchanan.*) And the malt whiskey he used was the same?—Yes.

7481. (*Chairman.*) Was the 25 per cent. of grain whiskey invoiced to him at a higher price?—No, the same price.

7482. I suppose on account of age?—Yes, on account of the age of the whiskey put in.

7483. It was older than the pot whiskey?—Yes.

7484. (*Dr. Adeney.*) Was it dearer?—It would work out just the same.

7485. (*Dr. Cushny.*) Do you think it would be any advantage to the public to state the proportion of malt and grain?—No, I do not think it would be any advantage. I think it would be rather misleading than otherwise.

7486. Do you think it would be an advantage or disadvantage to label whiskey either above or below 50 per cent. of malt?—I do not think it would be any guide to the consumer. He would not be a bit the wiser as to what he was getting.

7487. You suggest then that you should allow whiskies to go out under the same label whether they contain 95 per cent. of malt or 5 per cent. of malt?—Yes. I think the consumer is very safe with the competition there is in Scotch whiskey at the present date. I would not like to put a restriction, but still, at the same time, I do not like to see Scotch whiskey with 5 per cent. of malt being sold to any extent.

7488. (*Dr. Adeney.*) You do not like to see Scotch whiskey with 5 per cent. of malt being sold as whiskey?—No. At the same time there are localities, such as the North of England, where they much prefer it, where the public taste is very strongly in favour of a whiskey with a very large proportion of grain whiskey in it.

7489. (*Dr. Cushny.*) It is not suggested that the sale of whiskey with 95 per cent. of patent should be prohibited at all, but it is merely suggested that it should be separately labelled from a whiskey having not more than 50 per cent. of patent. Would you object to that?—Yes; I do not think there is any need for the restriction. I would object to the labelling.

7490. Do you think it protects the public?—I do not think it is much good. Perhaps, in view of the Islington case, the man in the street might think a little as to what he was getting, and the label might assist him, but I am totally against labelling. I think it would mislead rather than otherwise.

7491. I do not understand how it would mislead?—Well, there could be such a wide difference in value and style between two whiskies with the same proportions. Then, again, the style varies with the age. I think his taste is the only safe guide.

7492. But if you go in and buy a bottle of Scotch whiskey, you cannot taste it first, but you have to buy the bottle and then taste it afterwards. What we want to know is whether the public can be protected from being deceived in this way?—I do not think it would be much guide to him to have it labelled with the proportions. If he did not like that whiskey he would not go back to that public-house, but he would try another one.

7493. (*Dr. G. S. Buchanan.*) How long is he to go on doing that?—He would please himself. The public are very fastidious, as I know from personal experience.

7494. (*Dr. Cushny.*) I suppose you agree with the last witness that the essential quality in Scotch whiskey is the flavour?—That is so.

7495. Do you not think that ought to be protected?—I think it is quite sufficient to leave it to the vendors; it would be sufficiently protected. I am inclined to look on the matter from the point of view of the working man, and I have been rather basing what I have said in respect of him. If you wish to ask my opinion in regard to such as the 3s. 6d. per bottle whiskies, then, perhaps, I should have something different to say, but I have gathered from previous questioning that it was more the working man, the man patronising a public-house, and getting his half-glass of whiskey or glass of whiskey across the counter, that the Commissioners were more thinking of to protect.

7496. I think we are more or less democratic in that way, but do you not think it would be a protection if he could get a good whiskey and could have it certified to have more than 50 per cent. of this necessary constituent?—It would require to be very new to put it in at the price.

7497. Your objection would be against the new whiskey?—Yes. There are some people sell at 5d. per gill, or 2½d. per glass.

7498. What have you to say in regard to insisting upon the ageing of whiskey?—I do not think it would be good to put any restriction upon it. There would be loss of strength and bulk. There would be the interest and rent charges, which would increase the cost, and to meet this the strength would be lowered, and the consumer would not get as large a drink for his money, that is, it would not stand as much water.

7499. Would the quality be improved by ageing?—It is a matter of opinion entirely

7500. You do not believe new whiskey is injurious?—I do not, but still I might say it is my opinion that where a person is accustomed to drink new whiskey he will not get the same satisfaction from drinking old. On the other hand, a person accustomed to drink old whiskey may find new whiskey disagree with him. I think it is a great deal to do with what a person is used to.

7501. Would compulsory ageing give an unfair advantage to English gin, do you think?—I think it would. I think Scotch whiskey has during the last few years, possibly 20 years, displaced gin to a very great extent, and I would be rather afraid it would let gin come in again if the one spirit were restricted and the other not. Of course, as a previous witness indicated, a differentiating duty might be put upon gin.

7502. You think that gin would be sold cheaper, and that that would influence the public?—It would be able to be purchased by the retailer at a cheaper price, and would therefore militate against Scotch whiskey.

7503. It would not be sold cheaper to the customer over the counter?—It might, but it would depend on what the restrictions were on the Scotch whiskey.

7504. You do not think that a two-year-old Scotch whiskey could be sold at the same price as gin?—I think not.

7505. (*Dr. G. S. Buchanan.*) Where is your Highland malt distillery?—It is in West Aberdeenshire, at Kennethmont, south of Huntly.

7506. Is it still at work?—Yes.

7507. When was it established?—In 1898.

7508. You told us about the public taste in the North of England for a whiskey with a large proportion of grain?—Yes.

7509. That is in a colliery district?—Yes, in Manchester and Newcastle, etc.

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7510. You are thinking of Tyneside, are you not?—Yes, round about Newcastle and in the Manchester district. I am referring mainly to the cheaper classes, more to the bar trade, although a great portion of the better class whiskey of the bar trade, say 8d. or 10d. a gill, is also of a light character. The Manchester people do not care for the heavy style.

7511. You say Manchester?—Yes, and Newcastle too.

7512. Can you say whether the sale of that whiskey to colliers in the Tyneside is specially associated with the custom of the tied houses thereabouts?—I think so. I am not so conversant with the Tyneside.

7513. With regard to the describing of whiskey on labels I would like to know your own experience. Have you any difficulty in distinguishing, we will say, between a Highland malt whiskey, that is a self whiskey, and Islay whiskey, and a blend like, say, Dewar's, and Cambus? If you had those four samples would you have any hesitation in saying what type they belonged to generally?—No, none.

7514. You would not be able definitely to say: "This is," we will say, "Dewar's whiskey," as against some of the other blends that you know of, but you would know pretty well where you stood, would you not? You would know the general type of whiskey?—Yes, I have picked out Dewar's quite readily amongst some of the other proprietary brands. I consider it of a lighter style than the others.

7515. You have special experience in these things, but even a person with less experience would be able to distinguish between the types that I have spoken of, that is to say, a whiskey drinker, a man who is used to whiskey?—Yes.

7516. Do you see any difficulty in passing to that extent information as to the general type of the whiskey concerned on to the public by a label? For example, one is a Highland malt, the other is an Islay whiskey, the other is a blend, and the fourth Cambus whiskey?—So far as the proprietary whiskies are concerned you could not very well distinguish between, say, Dewar's and Johnnie Walker's.

7517. You could not?—No, not on the label so far as stating the proportions. I do not think it would be fair at all for one thing.

7518. I do not mean to say the exact proportions, but I was taking your proposition that it would be of no advantage to the public to give any sort of information or statement on the label. I mentioned Dewar's as an example of a blend with a considerable quantity of malt, and a material quantity of grain. Take that on one side, and on the other hand compare with that a Highland malt whiskey, a self whiskey, or an Islay whiskey, and a Cambus. Those are the four general types taken haphazard. There would be a distinct amount of information to the customer, would there not?—Yes, there would as between what we call a self whiskey and a blended whiskey.

7519. Now I want to put to you one point with regard to the statement in your *précis* that the average age of Scotch whiskey is greatly increasing, and that you give as a reason for taking no administrative action. Is there not likely always to be a demand for the cheapest whiskey that can be supplied?—Yes, I might mention that in the Scotch mining districts the miners would not thank you for an old whiskey. They must have something——

7520. Something with a bite in it?—Yes, with a bite.

7521. I may take it the gist of your evidence, if I may summarise it, is that the public are to take all Scotch whiskey on trust without any means of control over the statement of the blender?—I think they might safely do so. I think that is as regards Scotch whiskey. As regards any spirit used as Scotch whiskey otherwise I have a different opinion.

7522. (*Dr. Adeney.*) I take it from your evidence that you have it in your mind chiefly to produce a cheap whiskey for the labouring man?—Yes. They require it.

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7523. They require it naturally, and it is a perfectly legitimate thing to try and supply him. In supplying that cheap whiskey you have had to use a very considerable quantity of grain spirit, have you not?—That is so, but it depends greatly on the district.

7524. Do you supply a wholly grain spirit to these districts, or any of them?—There are some.

7525. Are there many?—No, it is very little.

7526. The great proportion prefer a blend?—Yes.

7527. I take it you would not regard that as a characteristic type of Scotch whiskey?—I look on grain whiskey as Scotch whiskey—one of the various types.

7528. What distinction would it have from an Irish grain whiskey?—There is a certain distinction. I am not very thoroughly up in Irish whiskies, but so far as I have seen Irish grain it has a slight characteristic of its own.

7529. Very slight, is it not? We have had it from other witnesses that it is so?—Yes, it is comparatively slight.

7530. You have spoken of the protection of the consumer. Do you not think legitimate trade requires protection?—I think there is too much of that altogether nowadays.

7531. That may be, but would you put that under the heading of legitimate trading? Do you not think that legitimate trading requires protection much in the same way as a consumer requires protection? I have in my mind that it is evident from the evidence that has been given to us that there is some value in the term "Scotch" as applied to whiskey?—Yes.

7532. Is not the trade wise in seeking to uphold that value?—Yes, undoubtedly there is goodwill in the name "Scotch Whiskey."

7533. Would that goodwill be upheld by this cheap blend that you refer to?—No, the very cheap whiskies do not redound to the credit of Scotch whiskey.

7534. Is it fair to call them Scotch whiskey?—You must supply the demand.

7535. But is it quite necessary to use the same terms? For instance, if we agree to regard this blend as whiskey or as Scotch grain whiskey, or as a blend of Scotch grain whiskey, would not that be a fair description?—I do not think it would be a good thing to draw a hard and fast line.

7536. On whose behalf do you say that?—On anybody's behalf. I might say that I take into account self-interest. Undoubtedly I go for upholding Scotch whiskey, and undoubtedly Scotch whiskey will spread if there is a certain proportion, or a fair proportion of malt in the whiskey.

7537. Would not that also amount to this, that in order to call a blend a Scotch whiskey there should be some minimum proportion of malt in it?—I think it might quite well be left to the consumer to demand what he cares about.

7538. Of course, you know more about the trade than I do as a citizen?—If it is the foreign trade, then we are better able to educate the foreigner than they to educate us as to the particular style, but I think it is well known that abroad they prefer a more silent style, at least, that is our experience, and I understand it is the experience of others.

7539. It has been given us in evidence here that it is considered in America that they can make patent still grain spirit for themselves, but not Scotch pot still or Irish pot still?—I believe that is so.

7540. Would that affect your opinion at all?—I certainly would object to Scotch malt whiskey being blended with the rye whiskey and sold as Scotch whiskey.

7541. Yes, but what appears to me is that there is a certain amount of ignorance on the part of the consumer largely in this spirit trade, and it occurs to me is it safe for a gigantic trade to trust in the ignorance of their customers; that is really putting it bluntly, but that is what it comes to, is it not?—Yes. So far as the trade in Glasgow is concerned, unless you give a good article you do not do a good trade.

7542. Are you blenders yourselves?—Yes, we are blenders. It is our principal business.

7543. What is the minimum age of the spirits that you blend?—I have really not gone into that.

7544. You can give us no general idea?—Possibly five years.

7545. Is that the minimum age?—The average age.

7546. Does that refer to the grain spirit as well as to the pot still spirit?—Yes, I think that might cover both. In the Glasgow trade, of course, the more malty the whiskey you give the less age you can give, at least, the age has to be kept down so as to meet the price.

7547. Do you agree with the witness who expressed the opinion this morning that so far as the pot still process is concerned age is a part of that process?—I have heard it put that way before, and you might apply it perhaps to port wine. I do not know that there is much port wine, or any, that is sold new. If you apply it in that way as part of the process you might apply it to whiskey in the same way.

7548. It is truer of the pot still than of the patent still, is it not?—No, I do not think so, not as potable spirits. I hold that grain whiskey requires ageing just as malt whiskey does, but not to anything like the same extent.

7549. I do not know that it would be fair to ask you, therefore do not answer this question if you would prefer not. Would you care to tell us the minimum proportion of malt that you use in your blend?—The smallest proportion of malt my firm used in any of our blends is one-tenth part of malt. The quantity sold is so small, it is hardly worth mentioning. It is a very small proportion, and we would rather not sell it, really.

7550. Not as Scotch whiskey?—Not as Scotch whiskey.

7551. (*Chairman.*) That goes down in England?—Yes, it suits the taste here.

7552. (*Mr. J. Y. Buchanan.*) Is there much difference in the taste of the different districts of Glasgow? It is a very big city?—Yes, it is a big city, but I think that is too fine a distinction.

7553. You do not notice any well-marked difference in the kind of whiskey you have to supply to one part of the City down by the river, and the other part up by the manufactories?—There is only a class distinction, such as that by the theatres, where you must give an older and more matured class altogether.

7554. Do they drink pure patent still whiskey now in Glasgow?—Yes, I think there is a good proportion. It is really small taken altogether, but there are people who make a speciality of pure grain whiskey, particularly Cambus and Cameron Bridge.

7555. We had it from one witness at the beginning, I think, that they trace the taste for patent still whiskey, to the more sedentary occupations, such as shoemakers and tailors. Those people prefer it. Have you noticed that?—Yes, and clerks. There is no doubt that a malt whiskey is more difficult to digest. I am not a whiskey drinker nowadays myself, but a number of years ago, for dietetic purposes, I tried the three different kinds, pure malt, blended, and pure grain whiskey, giving a breathing space between each—I mean over a matter of a year. I am not dealing with hours, or even days. There is no doubt about it in my mind that the grain whiskey did less harm. I cannot digest spirit in any shape or form, but undoubtedly the pure malt was the greatest killer, as I might put it I took longer to recover from the effects.

7556. Would you, in the matter of definition of whiskey, seeing that your experience is that the grain whiskey is the least hurtful, approve a definition which excluded pure grain whiskey from the definition of Scotch whiskey?—No, I would not exclude grain whiskey.

7557. Then any definition that is made must cover grain whiskey under the denomination, legally, if we are going to make a legal definition?—You do not mean to exclude whiskey altogether, do you? I am afraid I am not following you.

7558. My idea is this, if we are to have a definition we must know what is to come into it, and if there is to be a certain proportion, some have suggested 50 per cent., of malt, that excludes grain whiskey?—Yes.

7559. From your statement it now appears that grain whiskey from the interest of the consumer should not be excluded, and therefore you would not make, would you, a proportion of malt, whatever it may be, a *sine quâ non* in the definition of Scotch whiskey?—No, because there are districts as well as those in

Glasgow where they prefer grain whiskey pure and simple. I do not think it would be fair to that section of consumers.

7560. (*Dr. Adeney.*) Would you consent to that being called Scotch grain whiskey?—I do not think there would be any harm.

7561. It might be a protection to the word "Scotch," might it not—I mean a legitimate protection?—No, I do not think so. I hold that grain whiskey is Scotch whiskey.

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7562. Those coming from Ireland might hold that it was Irish whiskey?—They might.

The witness withdrew.

Mr. James Mackinlay, called.

Mr. J. Mackinlay.

7563. (*Mr. J. Y. Buchanan.*) You are senior member of the firm of Charles Mackinlay and Co., distillers and wholesale whiskey blenders, of 87, Constitution Street, Leith?—Yes.

7564. Is your distillery in Leith?—No, it is in Inverness.

7565. You have been head of that firm since 1867?—Yes, I have.

7566. Therefore, you have had long experience?—Yes.

7567. You are also Honorary Secretary of the Edinburgh and Leith Wholesale Wine and Spirit Dealers' Association, which numbers 70 or 80 members, representing nearly £4,000,000 of capital invested in the whiskey trade?—Yes.

7568. The Association consists entirely of dealers and blenders?—Yes.

7569. And not distillers?—No, not distillers.

7570. Do you do a large trade with England?—Yes, a considerable trade.

7571. And a foreign trade?—Yes.

7572. And your firm also exports largely to India?—Yes, we have a trade with India.

7573. Is that in cask or in bottle?—Both.

7574. Do you also export to other parts of the world?—Yes.

7575. Have you special labels or marks for your own whiskies?—Yes, our own marks and labels.

7576. What is your opinion as to what should be called "Scotch Whiskey"?—I hold, as I have said in my *précis*, that both pot and patent still made from cereals should be called "Scotch Whiskey" if made in Scotland and containing, as I understand they do, 25 to 30 per cent. of malt. I think they should be called "Scotch Whiskey." We always have called patent still whiskey grain whiskey and invoiced it and sold it as grain whiskey for all these years.

7577. As Scotch grain spirit?—Yes, and very often by the name of the distillery. We always sell it wholesale, such as Cameron Bridge or Caledonian or whatever the distillery is.

7578. (*Dr. Adeney.*) Those are not grain distilleries?—Yes, Cameron Bridge and Caledonian are grain distilleries—part of the Distillers' Company.

7579. (*Mr. J. Y. Buchanan.*) Would you not call anything Scotch whiskey that did not contain 25 to 30 per cent. of malt?—That is another thing. I was talking of grain whiskey containing 25 per cent. to 30 per cent. of malt in the distillation.

7580. Would you at that rate make the definition depend upon the malt in the mash?—I am not a distiller of grain, but I understand that it contains 25 per cent. to 30 per cent. of malt.

7581. What is your opinion of grain whiskey and its improving or not improving by age?—It certainly improves by age, I think.

7582. How long do you think that goes on?—It does not take so long in grain as it does in malt.

7583. As to the age at which you consider a whiskey matured what would be the relative ages you would put for grain and malt?—I should say that grain whiskey from four to five years old is at about its best, and it goes on improving even after that.

7584. What would be the corresponding age for malt?—I think malt might be put at six to eight years old. It depends on the distillery. Some take longer to mature than others.

7585. I meant only generally. Have you been in the habit at any time in your experience of invoicing your whiskey as "Aqua"?—Yes, we have invoiced a good deal in that way.

7586. Has that gone out now?—Yes, I think so, but some do, I think, continue it. I have seen a great many invoices of all ages. I have seen some of 1834, some of 1850, and some later, where they use the word "Aqua," both to malt and grain.

7587. You quote here a book called "The Hotel, Innkeeper, Vintner, and Spirit Dealers Assistant," published in 1825. Can you give us a little account of that? What was the general gist of it?—It shows that blending or mixing is a very old affair. That book is dated 1825.

7588. Did they have anything then that corresponded to the patent still whiskey? Of course, they had not Coffey's still, but had they anything that you would say was the same style as the modern patent still?—I cannot go as far back as that. I think the grain whiskey at that time was simply made through a pot still.

7589. If there was any blending, of course that would be blending in the same kind of way as now—of a light whiskey with a heavy whiskey?—Yes.

7590. Have you any idea of how they produced the heavy and the light whiskies in those days, when they had no patent still to work with?—I do not think it was the same thing in malts because the malts vary very much. It is the water at the different distilleries which causes the variation; some are heavy and some are light.

7591. Are there malt whiskies that can be used now really much the same as patent still whiskey for blending to give lightness?—You mean at the same age?

7592. Yes?—Yes, I think some of them might be used at five or six years old.

7593. They are so light as that?—Yes.

7594. I suppose in this book the author did not suggest that you should put any essences?—No.

7595. It was entirely straightforward whiskey?—Yes.

7596. I suppose that has not crept in at any time?—No, I have never heard of such a thing.

7597. You are not offered by travellers Scotch whiskey essence?—No, I never heard of that.

7598. You can give us some very interesting recollections about the commencement of the sale of Scotch whiskey in London and in England? When did that come in? It was quite unusual, I should think, in the year 1860, was it not?—I think it was just about the time the duties were equalised, or a little after that.

7599. Whiskey coming from Scotland to England was a matter of change of taste, was it not, or medical opinion?—I think when the duties were equalised the Irish whiskey predominated. They made in larger stills, the whiskey was more uniform in style, and you could have a larger quantity of it. If anyone saw Irish once they would know it again. From what I have seen of it it had a peculiar flavour, which is peculiar to all Irish whiskies, and they were in that way able to do a fairly large trade in a uniform quality. With Scotch whiskey it was different. One man would bring to England north country whiskey, another Islay, a third, perhaps, plain malt or grain, all different in style. It was then that the Scotch blenders saw that blending was a necessity; they began to blend these various malts and the addition of grain

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was also necessary, because blenders could not get the quantity for one thing and they could not get the smoothness and uniform quality without using grain. I remember the time when three hogsheads of Irish to one of Scotch were sold in London, but a short time afterwards these fine blends of Scotch came in, and the taste changed altogether, and it became the other way round. That is within my recollection.

7600. Now as to whiskey that goes abroad, say to the Continent. How long has that been and is there much trade in that?—I do not think it is very old in the matter of the Continent. Of course, it is very difficult to get French people to drink whiskey, but they have picked up the habit a little when here, and a certain trade is done. Then there are always our people travelling abroad and they want it. I think trade in whiskey on the Continent has been stimulated by the vines being destroyed by the phylloxera, which was in 1875.

7601. Is that entirely bottled whiskey that goes abroad?—Yes, generally it is bottled whiskey that goes to the Continent with the label of the proprietary brand.

7602. You have different kinds of blends for different classes of trade. In better class bars it is different. Is that more pot?—Proprietary brands, good blends, do contain a large proportion of malt It varies.

7603. The blending of Scotch whiskies is a matter of education?—Yes, very much.

7604. You require people with very fine taste?—Yes, good taste.

7605. From one year to another that requires to be checked. You cannot depend on the whiskey that you have used this year for producing a certain effect next year?—No, you require to examine all the samples you put in your vat, and besides, you also have the chance of contamination from your wood. You have to take a sample from every cask.

7606. You say that foreign spirits are not allowed to be blended in bond along with home-made spirits for home consumption, and that you would like to see the Board's Order forbidding this extended to whiskey for export?—Yes, I think it would be a very good thing. There is an order of that kind for home consumption.

7607. You say that flavouring essences were mixed with patent still whiskey in order to produce spurious whiskey?—Someone gave that in evidence, but I have not heard of it.

7608. You have not?—No, never.

7609. What is your opinion about an age limit?—I think it might be a little hardship to the trade. There is a large quantity of very cheap stuff sold, and I must say that it is neither a profit to the dealers who sell it nor is it a credit to Scotch whiskey, but it is very difficult to stop it.

7610. I suppose it can be sold cheap enough to meet a very large demand?—They buy the cheap stuff, of course.

7611. Because they cannot afford the dearer?—Yes, because they cannot afford to give a great price. With regard to an age limit, it would require to be applied to all spirits. My difficulty would be with regard to gin, because we could not allow gin to come in and compete with Scotch whiskey because it possibly would cut us out. The putting of two years upon grain whiskey would add sixpence per gallon to the cost, and that would allow gin to come in much cheaper unless you could tax gin.

7612. Do you think there is much danger of people taking to gin again?—I think there would be, because of the question of price. Nowadays there is a rage for cheapness in all things.

7613. Gin is a rectified spirit?—Yes, quite new spirit.

7614. And it is turned out ready for drinking?—Yes, they say it does not improve by keeping. We have had Commissions sitting on whiskey in my time twice—in 1891 and on a previous occasion, and I understand the difficulty always was with regard to an age limit as to gin; the opposition was so great. It would doubtless be a good thing, and it would mean that grain would not be sold under two years old. It is better two years old than new.

7615. (*Dr. Adeney.*) Why do you say it is better two years old?—Because you get rid of all the still gases. I have heard them spoken of as ether, but what that is I cannot say, as I am not a chemist.

7616. Is that common with patent still products?—No, but generally speaking, a new whiskey has a slight still flavour, which is got rid of by a little age.

7617. (*Mr. J. Y. Buchanan.*) What is your opinion about chemical standards?—I do not think much of them at all.

7618. Do you think if you gave a number of samples to a chemist he could give you a specification of them?—My experience is that analysts do not give the same results, and besides, in brandy it has not done any good. I think it has done a great deal of harm, because the French shippers are able to produce all the ethers required and sell the brandy cheaper than they did before.

7619. With regard to a standard quantity of patent and pot still being required to constitute a blend you are opposed to that?—Yes, I think it is a restriction, which is unnecessary.

7620. You would advise that the term Scotch whiskey should be applicable to pure spirit or to any mixture of that so long as they are made in Scotland?—I think so.

7621. You would, however, limit what it is distilled from?—Yes, I have said from cereals.

7622. That would be really the differentia that would characterise Scotch whiskey?—Yes.

7623. You also object to whiskies being required to be labelled so as to give any indication of the component parts of the blend?—Yes.

7624. Is that because it is unnecessary or because it is unfair?—I think it is misleading to the public, and hardly fair to the blender, and I do not think it is any indication of the quality.

7625. Would it really give the blender away very much if all that has been proposed were put upon the label; it is not much after all?—There is no indication of quality, but I think it would prejudice whiskey in the eyes of the public.

7626. I suppose a blender, in order to give the public the same style of whiskey, and to keep it uniform, is obliged to alter his style of blending because the whiskies alter?—Yes.

7627. So that to be quite conscientious about it he would have to alter the specification on his label?—Yes.

7628. And the public would be apt to think he had altered the whiskey?—Yes.

7629. So that it might mislead the public?—That is what I am afraid of. I would like to see the quality of Scotch whiskey kept up in every way. I think the less restriction the better.

7630. (*Dr. Adeney.*) I have some questions to put to you on behalf of Mr. Guillemard. How would you insure that spirits sold to the consumer as Scotch were actually made in Scotland?—I think if the dealer sold them and invoiced them as Scotch, that would be sufficient. I think if it were understood that only whiskey made in Scotland was to be sold as Scotch, the dealer would be careful to use only Scotch whiskey, and besides, in blending in bond that would be checked by the Excise or by the Customs.

7631. Those are the only checks you can suggest?—Yes, the Excise officer would not allow blending of other than Scotch any more than he would allow foreign spirit.

7632. There is no test such as taste, or anything of that kind?—Taste would be a different thing. Do you mean the taste of the consumer?

7633. The characteristic taste which you refer to as being the Scotch taste?—Yes, exactly. It has a characteristic.

7634. Supposing you bought a bottle in England as Scotch whiskey?—I would know at once. If it were pure grain I might be deceived by that. I do not think I could perhaps tell the pure grain from perhaps a very clean English grain. I might not.

7635. You might be given an Irish or an English grain?—Yes, it might be so very silent.

7636. It might be so very silent that you might regard it as Scotch?—Yes. I might think it was very poor Scotch whiskey, but I might not be able to swear that it was not made in Scotland.

7637. Would it be possible to discriminate between spirits made in a patent still in, say, England, from spirits made from the same materials in a patent still in Scotland or Ireland?—I have not really tasted these very much. I never bought Irish grain myself, or English grain either.

7638. You would not expect to?—I think if I saw them together very often I might be able to distinguish them, but I would not like to undertake that I could. If made from molasses, or anything of that sort, I might be able to tell pretty well, but grain whiskies have not as much character as malt whiskies, not so distinct a character.

7639. If spirits made from cereals in a patent still in Scotland may be called whiskey, could reasonable objections be taken to spirits made similarly in England being so termed, and being sold as such or even used for blending with Scotch or Irish spirit and sold as whiskey?—I do not want to monopolise the word whiskey, but I should certainly, as I have said, apply the name Scotch whiskey to everything made in Scotland.

7640. This is a question asked as to whiskey?—I do not think whiskey should be blended with English spirit.

7641. Mr. Guillemard's question is, could it be sold as whiskey?—No, I think not.

7642. You quite understand the question?—Yes; I think whiskey is a Scotch word.

7643. What do you say as to Ireland?—There is Irish whiskey too, that is pure Irish—that is another thing.

7644. From the book quoted by you it would appear that at the time it was written whiskey was made from molasses and sugar, as well as from grain. In the light of that statement do you see any objection to spirit made from molasses being now considered as whiskey?—Certainly; I think in that old book things were different altogether.

7645. You think the whole custom has changed?—I think so. I have never seen molasses spirit to my knowledge.

7646. And you think custom ought to dominate the present position at any rate?—I do not quite follow you there.

7647. Molasses was used?—It is in that old book which I simply quoted to show that blending was common in those days. I did not mean to quote all that they said about the various classes of spirit that were sold or made at that time. I think all the whiskey taken together at that date was very inferior; there was not much good whiskey made.

7648. Does not everything go to show that the word "whiskey" was in times gone by applied generally to all spirit made in Scotland irrespective of the materials used in the manufacture?—Are you quoting from the book?

7649. That is referring to that book?—Yes.

7650. This is Mr. Guillemard's question that I am putting. You remark in your *précis* on the blending of foreign spirits with home-made whiskies for exportation?—Yes.

7651. You do not seem to be aware that if this is done the spirits under the Revenue Regulations cannot be described as other than what they really are, namely, a mixture of foreign and British spirits?—Yes.

7652. They cannot be described as spirits of exclusively British origin, and therefore could not be exported as whiskey?—They are exported in some way or other and sold at a very low price.

7653. But not as whiskey?—I do not know what they call them. I do not think they care very much about the description.

7654. According to this they are exported with full knowledge of their composition?—Very likely. I do not think the Customs or the Excise take any note of what goes out of the warehouse just now.

7655. It is suggested by this question that these mixed spirits cannot be exported as whiskey under the Revenue Regulations?—I should like to see the rule as to blending in bond for home consumption extended to export.

7656. As to a time limit, how would you deal with rectifiers, compounders, and manufacturing chemists who require spirit at a very high strength, and for whom a matured spirit is not necessary?—That was one of my difficulties about making a time limit.

7657. Now there are one or two questions that I would like to put to you myself. I am anxious to get a clear idea as to what the term Scotch whiskey should be applied to. I see you have a trade with the Colonies and India?—Yes.

7658. If you receive orders from any colony or from India for Scotch whiskey what would you supply?—I would supply something that had a fair proportion of malt in it. If it is under my brand it would have a fair proportion of malt.

7659. You say a fair proportion of malt, but could you give us a figure?—I think anything from 30 to 60, or 70 per cent. these blends contain.

7660. You regard that as a blend safely carrying the characteristics of Scotch whiskey?—Yes.

7661. But you would limit it to 30 per cent. of malt?—I do not say limit it. I do not approve of a limit at all. I say that as to blends that we care to export.

7662. As Scotch whiskey?—Yes, as Scotch whiskey. They certainly do contain 30 to 60 or 70 per cent. of malt, or even more.

7663. You would not unasked export grain spirit as Scotch whiskey?—No, I should not do so.

7664. Would you unasked sell grain spirit as Scotch whiskey?—No, not unasked. If they asked me for a very cheap whiskey it might be shipped, but I have never done it.

7665. Do you not think there is some necessity, on the point of consideration for the value of the word "Scotch," for making some distinction between the patent still and blends?—Personally I would have no objection if the thing could be done without imposing further restrictions on the trade, because I think we are pretty well hampered as it is.

7666. I quite sympathise with you. It is in the interests of legitimate trade that I am putting these questions?—Exactly; and for the credit of Scotch whiskey I should like to see the quality kept as good as possible.

7667. Upon the continuation of the prestige of the spirit depends the continuation of the trade?—Exactly.

7668. Would you mind telling me the minimum age of your pot still whiskies in your blends?—The minimum, I should say, is about six to eight years old. I should think it is about seven or eight years old.

7669. That is the minimum?—Yes, for what you call proprietary whiskies.

7670. What does that run down to?—I do not know that there is any malt used under five years old.

7671. And what do you say as to the patent still?—That is about three years old; from three to four years.

7672. Not under that?—As to these cheap whiskies that are asked for, they are very new.

7673. They must necessarily be new?—They must be new at the price they are asked for. I am talking of blends that you put your brand on.

7674. Have you any knowledge of the Irish whiskey trade?—I have no knowledge whatever of Irish whiskey, except that I have tasted it, and I know that it has a peculiar taste that you cannot mistake; it is quite characteristic, and you cannot mistake it.

7675. You could not tell me whether the practice as to Irish blending synchronised with the practice of Scotch blending?—I could not say.

7676. Of course you know Irish blends have been put upon the English market?—Yes.

7677. So that you cannot say that it is the Scotch blends that have driven the old Irish pot stills out of the English trade?—I think at the time that I speak

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of, in the sixties, that the Irish were then sending over their pot still whiskies.

7678. Only?—I think so.

7679. You are not sure?—I am not sure. I could not swear to it. I think blending has come much later.

7680. You say in your proof that you are aware that a great quantity of cheaper blends are sent out to suit a certain class of dealers—not consumers, but dealers?—Dealers buy it who want to pay as little as possible.

7681. Who, owing to competition and increasing burdens on the trade, are forced to buy cheaper qualities of whiskey?—Yes.

7682. What is the nature of these cheaper qualities of whiskies—is it almost wholly patent still?—Yes, with a certain proportion of good Scotch grain; as far as I am concerned, with a certain proportion of malt.

7683. I take it, from your former answer, you prefer the name of Scotch grain whiskey to Scotch whiskey, or Scotch blended whiskey?—Blended whiskey I would apply to the higher quality.

7684. Have you any distinction between these cheaper qualities of whiskey and your higher grades of blend?—Not much. I distinguish them by a mark. Labelling does not come in in these cases because the whiskies are not generally sold in bottles.

7685. So that the unfortunate consumer simply asks for Scotch whiskey?—They are not injurious—they are not bad to take. These low-class whiskies are not very nice, but I think the class of people who drink them do not care for a high-class whiskey.

7686. (*Dr. Horace T. Brown.*) I think you can give us some very interesting quotations from an old book of 1825 by Alexander Peddie called "The Hotel, Innkeeper, Vintner and Spirit Dealers' Assistant"?—Yes. I quote the following extracts from that book: The title page is "The Hotel, Innkeeper, Vintner and Spirit Dealers' Assistant, containing a great variety of the most approved recipes for the making, mixing, managing, flavouring, colouring and bottling of Wines, Foreign and British Sprits, Porter and Ales. Adapted to every branch of the Wine, Porter, Ale and Spirit Trade. By Alexander Peddie, Author of 'The Cotton and Linen Weaver's Assistant,' 'Practical Measurer,' &c., Glasgow. Published by Khull, Blackie & Co., and Archibald Fullarton & Co., Edinburgh, 1825." Then the preface is dated Perth, 1st July, 1823. Then on page 275 it says: "Whiskey, usque, or as it is expressed in Gælic, usquebaugh, is a well-known drink in Scotland and Ireland; it is principally extracted from malt, but the spirit extracted from molasses, sugar, &c., is also in Scotland and Ireland called whiskey; it is much used in the adulteration of foreign spirits, making of compounds, cordials, &c." Then on page 277: "Whiskey from malt, when distilled by a slow fire, is a most agreeable vinous liquor; and when running off, the low wines, or, as it is sometimes termed, doubling, if roots, seeds, berries, aromatics, plants, moss, peat, &c., to be thrown in or suspended into the still, they will impart to the spirit a portion of their flavour; and if as much attention were paid to the improvement of the liquor by the distillers as might be, there would be a greater variety of flavours to Scotch and Irish whiskey. I am of opinion that good whiskey extracted from malt is the most safe dram, if taken in moderation, and not so pernicious and hurtful to the constitution as any foreign liquor; but if taken immoderately, it must have the same pernicious effects. Whiskey, on account of its being drunk in a clear state, is not so easily adulterated as as rum or brandy; although, no doubt, it is susceptible of some degree of sophistication. Whiskey extracted from malt does not answer the purpose of making up compounds, cordials, and imitating foreign liquors so well as that extracted from sugar, molasses, raisins and cyder, as it has a particular flavour of its own, which nothing will overcome but a superabundance of the tincture of seeds, herbs, roots, spices, &c., that may be infused into it, which superabundance would make the flavour of the ingredients too strong, and, of course, disagreeable and harsh; whereas, if sugar, molass, raisin or cyder spirit, termed silent whiskey or whiskey without any particular of its own, were used, the flavour of the ingredients could be regulated according to taste without any difficulty." Page 280: "Whiskey may be mixed up in such a way as to be of considerable advantage to the seller, and be equally as good, agreeable, and palatable to the buyer. But when whiskey is to be mixed to sell at any certain price, the quantity of the two different liquors would need to be carefully studied. It would not do to mix up whiskey, if the two kinds to be mixed were of a bad quality, as two bads will never make a good; also the proportion of both would need to be studied; for example, if good malt whiskey and inferior grain whiskey were to be mixed together, so that it might be sold at a certain price, it would need to be considered whether the malt whiskey would stand two-thirds or equal quantities, one-third, one to four, one to five, or one to six, &c., of grain whiskey, without spoiling the effect and flavour which the malt whiskey is intended to produce upon that extracted from raw unmalted grain," and so on. The author, Mr. Peddie, gives seven or eight examples, or what he calls recipes, of mixing malt and grain whiskies at pages 285 to 289; some with the malt in greater quantity (286-8 and 290); others with grain in greater quantity (285-8); and also examples where they are equal (286-9). On pages 292-3 he winds up: "If compounding (or otherwise blending) be judiciously managed, and nothing which is to be really and truly poisonous is used, those compounds are not only palatable, but highly beneficial and conducive to health, as they change the effect which a perpetual round of sameness would have upon the system."

7687. I think you have brought forward those quotations more to show that blending was in vogue in those early days?—That is so.

7688. I think the evidence goes even beyond that. It seems to me a good deal has been made of the history of whiskey in the evidence that we had in the earlier sittings of this Commission, and I think it is very desirable that we should have those quotations on the Notes of the Evidence. They fill up to some extent a gap in the history which has been wanting for some time, and they show very distinctly that the term "whiskey" was applied in 1825 to a spirit made not from malt alone, but from all sorts of materials such as molasses, sugar, raisins, and even cider?—Yes, that is how it appears in the book.

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

FIFTEENTH DAY,

Wednesday, 6th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

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Sir ROBERT USHER, Bart., called.

Sir R. Usher.

6 May 1908.

7689. (*Chairman.*) Are you a member of the firm of Andrew Usher and Company, of Edinburgh?—Yes.

7690. That is an old firm, founded I believe in the beginning of last century?—Yes.

7691. And for more than 50 years have you been agents for the Glenlivet Distillery?—Yes.

7692. You are a director of the Brackla Distillery, and your firm are owners of the Edinburgh Distillery?—Yes.

7693. Are those pot still distilleries?—They are all pot still distilleries.

7694. I believe you have no interest personally in any patent still distillery?—Personally I have none.

7695. One of your partners, I believe, is a director of one?—Yes, my lord.

7696. Before 1860, as we have heard, the trade in Scotch whiskey was practically confined to Scotland?—There was very little trade with England before 1860.

7697. And what business there was with England was in the pot still whiskey?—So far as I know it was principally in pot still whiskey.

7698. And it was small in quantity and was sent to England in single casks?—Yes, that is my information.

7699. Was there any blending done prior to 1860?—I could not answer that question, my lord I am not old enough to go back.

7700. But it must have been very small?—I think it was small.

7701. Then there came the Act of 1860, the 23 and 24 Victoria, cap 114, permitting blending in bond. That you do know?—Yes, my lord.

7702. And under that Act the blending that was allowed would permit of the blending of pot and patent still whiskey?—Yes.

7703. But the mixing of British and foreign whiskies for home consumption was not allowed?—The mixing of British and foreign spirits was not allowed for home consumption.

7704. Of course your attention was particularly directed to the Islington decision?—Yes.

7705. Do you belong to a body which I will call the Federated Trade in Scotland?—There is no federation actually now. What happened was that after the Islington case all the interests affected agreed to meet together for a common object. That body is now dissolved because we have attained our object in the appointment of this Commission.

7706. When you say all the interests affected, what do you include in that term—whom and what?—Representatives from the Scotch and North of Ireland grain distillers, the Scotch Distillers Association, and from the wholesale blenders' associations of Edinburgh, Leith, Glasgow, Dundee and Belfast.

7707. Of course, those were commercial undertakings. Can you form any estimate as to the capital represented by those representatives?—Yes, I put it roughly at between 20 and 30 millions.

7708. A meeting took place—I have not the date of it, but it was held in Glasgow, I think?—Yes, in the beginning of 1906 or the end of 1905. I could not be sure which.

7709. Was it shortly after the decision of the magistrate in the Islington case?—Yes.

7710. You were not present, I believe, at that first meeting, but were absent through illness?—I was absent.

7711. But you were elected Chairman?—I was elected Chairman.

7712. And did you head, as I will term it, the deputation that waited on the President of the Local Government Board?—Yes, I headed a deputation twice.

7713. Your object being what?—To have a Commission appointed to settle the matter.

7714. And it was under those circumstances that the trade, in its own defence against the state of things that arose if the magistrate's decision in the Islington case remained, asked for this Commission?—That is so.

7715. And after considerable consideration and delay, in order to determine what should be inquired into, the Commission was given to you?—Yes.

7716. The cause of the existence of this Commission was the defence of their position by the trade?—Yes, to settle the matter.

7717. The movement in favour of the appointment of the Commission was in defence of the interests of the trade?—I suppose you may put it that way. I would rather say it was to settle the condition of affairs which was really most intolerable to all concerned—the public as well as the trade.

7718. You shall have it your own way, but I think most people would think you were not acting for the love of your country entirely?—Oh, no; I was not.

7719. It was a practical matter of business to get the subject settled?—Oh, yes.

7720. Now I will go back. We had come to the year 1860. After that date did the trade in Scotch whiskey in England and in Scotland increase?—I know it increased very much in England.

7721. What was the character of the commodity that was consumed in England and asked for by the public?—What was supplied was blended whiskey.

7722. Of course, the supply answered to the demand?—Yes.

7723. What was the difference in the blended whiskey as compared with the original pot still whiskey?—In my opinion the blended whiskey is lighter and more easily assimilated than a pure pot still whiskey.

7724. The blend would be probably, or the greater quantity of the blend would be probably, pot and patent still blended. Do you blend different distillery products of pot still and different distillery products of patent still?—Oh, yes.

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7725. But what is the result of all these? Is it to mitigate the pungency and mitigate the very high stringent flavours and render it more mellow and softer?—Yes, it makes it less heavy.

7726. In your opinion can the blended whiskey in any way be more injurious to health than what we call the individual whiskey?—Not in my opinion at all.

7727. Do you think it an advantage to be not so strong a flavour?—I do.

7728. And at any rate the public demand has shown that the public appreciate more this blended whiskey than the original individual whiskey?—That is so, I think.

7729. Has that increase in the English trade gone on since the period we have taken as our datum—1860?—Yes, steadily.

7730. Have you seen any wavering in the taste for the blended whiskey?—No, I do not think so.

7731. Could you form an estimate, taking persons who go into the smoking room in a country house at night or any place where you would expect to get good whiskey, not a low class public-house whiskey, but good whiskey, what would you probably find now? Would it be a blended or an individual whiskey?—My experience is it would be blended.

7732. Some of the witnesses have said that patent still whiskey is unwholesome when drunk pure. What do you say to that?—I have never really drunk patent still whiskey pure, but I have drunk malt whiskey pure sometimes.

7733. What do you say as to that?—It does not agree with me.

7734. What is the effect of it according to your view?—It gives me a slight headache—not the morning afterwards, but at the time.

7735. May you be regarded as a seasoned veteran?—I think so.

7736. When the Islington prosecution took place, and after publicity was given to it, was your firm asked by customers to supply pot still whiskey?—Yes, my lord.

7737. What was the result of your sending them that whiskey?—In many instances we had to take it back because their customers did not like it.

7738. And did you take it back?—Yes.

7739. And what did you substitute for it?—We gave them the blended whiskey that they had been using before.

7740. What has been your experience of the export trade?—It has been very much affected by this state of affairs.

7741. I think you draw the line according to your statement at 1880, and you say that up to 1880 there was but very little export business in whiskey?—So far as my firm's experience goes that is so.

7742. Was the quality that was supplied before that the highly flavoured pot still?—I have been told that before that and after that time there was a small quantity of very highly flavoured pot still whiskey sent to America, and there it was mixed with American spirit and sold as Scotch whiskey.

7743. Then since that time what has been the change?—Since that time the trade has gradually developed until now it is a very considerable one all over the world.

7744. You export now, I believe, speaking of your own firm, not only to America, but to India, Australia and South Africa?—Yes, my lord, and many other places.

7745. Where you have agents for your business?—Yes, practically all over the world.

7746. What is the whiskey that you are sending out now for your export trade?—Blended whiskey.

7747. Do you send out now any individual whiskey, pot still or patent still?—Not any patent still individual whiskey, but we have sent out a little pot still pure—both blended and "self," as it is called.

7748. (*Dr. Adeney.*) But you do not send out patent still?—No patent still for sale.

7749. (*Chairman.*) You send out a little individual pot still, a small quantity comparatively, but the bulk of it is blended?—That is so.

7750. Will you tell us a little about this blending process? Is it a process that requires care and requires to be carried out after many years' experience and testing?—We think so, my lord.

7751. Does it require tasters in the same way as you have wine tasters so as to go on tasting the blend until you get the right one?—Yes, my lord.

7752. That is the course that is taken, I understand?—Yes.

7753. And, of course, to attain what would be regarded by the majority of consumers as the best blend may be a question of experiment on different whiskies from different distilleries?—That is so.

7754. And so you go on until you obtain a whiskey which you think is the best whiskey to suit the public taste?—That is so.

7755. When the whiskey is blended under such conditions as you have mentioned, is there any ground for saying that that blended whiskey is more injurious to health and is more objectionable from any point of view than the individual whiskey?—No.

7756. You think the contrary from what you have said?—I think the contrary.

7757. I do not anticipate any such result would be arrived at, but if anything was done to prevent—I do not think anybody asks us to prevent the blending—but if anything was done to prevent blending or materially to interfere with the process of blending, could you see from any point of view how that could be beneficial to the public?—No. May I say with regard to blending that it is a matter that has to be very carefully done, and you have to make your preparations for keeping your whiskey right. Continually with new whiskies we are looking at them and seeing that the quality is right before the casks are filled; all the casks are examined before they are filled, and then after they have been a certain time in bond they are marked for a blend, and each quality of the whiskey in each cask is again individually examined by experts, and anything that is wrong is rejected.

7758. The result of that is this, that great care is taken in the blending?—Yes. I wanted to emphasise that.

7759. And then you have to test the different whiskies before you blend to take care that they are sound and in good condition?—Yes.

7760. Do you give them the advantage of some time before you blend, or do you blend when the whiskies are young and let the time pass then?—No, our practice is to keep the whiskies in the individual casks by themselves and blend them when required.

7761. But it is a question of time. We have heard the three years' limit suggested. Do you blend the whiskey when it is new, or do you blend it after a period of time has expired?—We blend it after a period of time has expired.

7762. I presume you would not be desirous of entering into the exact details of the percentages of your blend?—No, my lord.

7763. I do not know whether that is a trade secret, but in your trade you have arrived at the best blend you can find by your own experience and your own expenditure of capital?—Yes, my lord.

7764. Do not answer me unless you like; but can you give any quantity of either of the two classes of whiskey which you think ought to be employed? For instance, is there any percentage of pot still whiskey, the malt whiskey that you say ought to be in the blend, below which you ought not to go?—No, I do not think I could say that.

7765. A suggestion has been made that there ought to be a percentage, some witnesses said 50 per cent., of malt whiskey in the blend because it should bear the name of Scotch whiskey. Do you agree with that?—No, I think that that would cripple the trade, because different districts require a different style of whiskey. I am aware, of course, that in Australia there has been a minimum fixed of 25 per cent., but I think that it would cripple our trade to a certain extent, for, as I say, in some districts they like a light whiskey and in other districts they like a heavy whiskey.

7766. To do your country full justice they like it heavy in Scotland?—No, I do not think so.

7767. Highland activity and fresh air?—As I say, it gave me a headache in the Highlands.

7768. You may say we are a poor race in England, and we cannot stand so much, but the blend may be taken as a lighter whiskey for persons who do not lead an outdoor life in Scotland?—My experience is that we sell precisely the same blend in Scotland as we do in England.

7769. When you say the districts differ, are you speaking of different districts in Scotland and different districts in England?—In both.

7770. I quite understand in Scotland, because you have the Highlands and the Lowlands, but how do the different districts in England require different whiskies?—I cannot tell you exactly how, but they do.

7771. Where are the districts? Where do our strong men lie?—I should say the Northumbrians are a strong race, but they drink a light whiskey.

7772. They take it light there?—Yes, generally.

7773. Is there any distinction between town and country?—No, I do not think so.

7774. Is not that an individual taste? The individual may like it lighter and some may like it stronger, and it is not a question of the locality of the district?—Yes, I think that is so.

7775. You refer in your *précis* to the evidence of a witness called before us—Mr. Pheysey. I see at question 2638 he was asked: "Will you be good enough to give us the result? First, what it was you attempted to sell, and what it was you succeeded in selling?—We attempted to sell this blend of grain and malt because we were told pretty emphatically everywhere that the public demanded it, and so to prove the fact to my satisfaction I made this blend. I described it on the label, and the result has been an absolute failure as regards business. I do not think we have sold equal to much more than three-quarters of a butt of either of them since we put them on the list six months ago." What do you say to that, because he is speaking of the Army and Navy Stores which have a very extensive business? Does that statement take you by surprise?—Yes. One explanation of that would be that if the Stores' customers were in the habit of drinking a particular style of whiskey and another style is put before them they probably would not like it.

7776. But the Stores' customers are representative of the ordinary average consumer in England. It would astonish you, I suppose, if you were told that they would drink nothing but the pure pot still whiskey?—It would.

7777. There is that evidence before us, but you do not think that could apply at any rate to the whole of the English trade?—I know it does not.

7778. You think that both the pot still and the patent still individual whiskies are much improved by being blended together?—I do.

7779. I will not trouble you about these analyses. I must leave someone more skilled than myself to enter into that question. You do not think much of the analyses of chemists, do you?—No, I do not think very much of analyses.

7780. The principal object of your care, if you would excuse me saying so, is the status and interests of Scotch whiskey?—Yes.

7781. How would you baptise your child? To what whiskey do you think the term "Scotch" should be confined?—I think that both the product of the pot still and the patent still is entitled to the name of Scotch whiskey if made in Scotland.

7782. We will assume it is made in Scotland and made in a pot still or a patent still, because those are the only two methods known. But supposing something is put through a pot still and something is put through a patent still, do not you consider the ingredients and ask what it is?—Oh, yes.

7783. Then you must give us that. What must it be made of?—I think that Scotch whiskey should be manufactured in Scotland from cereals which are converted in the mash by malted barley—that there should be a certain proportion of barley malt in the mash.

7784. You say a certain proportion. If we had to reduce things to certain conditions could you put a limit, elastic or positive, on the proportion of malt which should be used?—Yes, I think 25 per cent.

7785. Positively that as the minimum?—Yes.

7786. And then the rest should be cereals?—Yes.

7787. You do not adhere to the proposition that those cereals should be grown in Scotland?—No. I think that is quite impracticable.

7788. Maize?—Maize certainly, but in Scotland this year there has been a great deal of barley imported. The barley is so unripe in Scotland.

7789. I should like, if we could through you, either to get rid of or establish the claims of rice. Every now and then rice has cropped up in the evidence. Would you allow rice to come in or not?—I am not a practical distiller, so that I really could not give any decided opinion on that.

7790. You do not know the views of others on that?—No.

7791. Would you go to the extent of saying that only what you have mentioned, composed as you have mentioned, should be called Scotch whiskey? Would you prohibit its manufacture otherwise than with those ingredients in Scotland?—Yes, if it was to be called Scotch whiskey.

7792. That is not prohibiting. That is, accepting your statement, if it was 25 per cent. malt and the remainder cereals made in pot still or patent still, you would call it Scotch whiskey. But supposing there is only 10 per cent. of malt; you would not allow that to be called Scotch whiskey because it has only 10 per cent. instead of 25 per cent.?—No, because we consider that the presence of the malt in the manufacture of grain whiskey to the extent I have mentioned has a material effect in giving the quality to the grain, quality which is required, so that if it went below 25 per cent. I do not think the quality of the grain whiskey would be so good.

7793. You do not quite follow me. What would you call that? What are we to do with these degenerate creations when you get 10 per cent. only? Is it to be called Scotch whiskey first of all?—No.

7794. Is it to be manufactured at all?—I do not like prohibitions, but I would call it "spirits."

7795. You would banish the name "whiskey" from it?—Yes.

7796. Then what is it to be called? It would be very indefinite if you said "spirits," because it might be spirits of wine or gin, or anything, if you only called it spirits?—Yes, that is so. I do not think I can go the length of prohibiting the manufacture.

7797. What are we to do with it?—I would call it spirits.

7798. But that would be very difficult, as I point out to you. Supposing under those circumstances a man went into a public-house and said, "Give me a glass of whiskey," ought the publican to give him that if it has only 10 per cent. of malt?—No.

7799. Is it likely that a customer would go into a public-house and say, "Give me a glass of spirits," which might mean rum, brandy or gin, or anything else. That is not what he would ask for. He would ask for "whiskey." I do not see where you would get your sale if you called it spirits?—I follow; but what I was thinking of was, supposing you wanted a highly rectified spirit to make gin in Scotland, it would be a pity to make it illegal to make spirits in the patent still unless there was 25 per cent. of malt in it.

7800. What I want to solve if I can is this: take the 10 per cent. and the 90 per cent. Would that be injurious to health?—No, I do not think so.

7801. As regards taste the consumer can find that out for himself, can he not?—Yes, that is quite true.

7802. Then where are we? Is it a question of your thinking that whiskey ought not to be called whiskey if it has less than 25 per cent. of malt and leaving it to the ingenuity of someone—perhaps by recalling you—to tell us what it ought to be called?—Yes.

7803. If we can get rid of the great virtue of the use of the word "Scotch" and call it "whiskey," would that satisfy your national view?—No, I do not think it would. You mean that anything manufactured in the way in which I have mentioned might be called whiskey.

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7804. No, no; anything that has not got your standard of 25 per cent. of malt, but only 10 per cent. you say ought not to be called Scotch whiskey?—No.

7805. Would it do if it was called whiskey without the word "Scotch"?—No, not in my view.

7806. At present would you say that you think it ought to be called by some other name than Scotch whiskey—by what name we must consider?—That is so.

7807. You wish to give some evidence of some changes that you think ought to be made as to the mixing regulations in the Excise Regulations?—Yes.

7808. You will be examined on that point by my friend and colleague, Mr. Guillemard, who represents the Inland Revenue. Then also you deal with the Whiskey Bill of 1904. I think what you have told me now covers that ground also?—Practically.

7809. I forgot to ask you a question about the keeping in bond. What do you say as to the practical possibility of making regulations for keeping the whiskey before it is consumed?—For two years you mean?

7810. Or three years, whatever it may be. Would it be advantageous, do you think, to the trade or the public?—I think it would.

7811. As regards the trade, the trade could keep it if they liked, if they had capital enough, without legislation?—That is quite true, and I think that as regards quality and age the whiskey that the public are getting now is steadily improving as years go on of itself.

7812. That is, it is mellower and softer to drink, and the public like it better, and the price charged enables it to be kept, and allows the seller to charge a sufficient price?—Yes.

7813. Would you give the same length of time to both classes of whiskey? Would one require more time than the other to be kept properly?—I think a minimum of two years for both would be in the right direction.

7814. (*Mr. Guillemard.*) There is a passage in your *précis* which shows you want to put forward your views as to the Excise regulations with regard to mixing in bond for export. Perhaps you would give the Commission your views upon that subject?—I believe that at present we are not allowed to mix foreign and British spirits for home consumption to sell, but theoretically we are allowed to do so for exportation.

7815. Under what conditions?—I am afraid I cannot speak to that.

7816. I notice in your *précis* that you have left out something which is rather important in that connection. If you mix foreign spirits with British spirits for export you can only export them on condition that they are distinctly labelled as a mixture of British and foreign spirits?—Yes.

7817. Does that influence your position at all?—The reason that I brought that up, and I think I state it in my *précis*, was that it has been laid hold of in America by the chief of the chemical department, Dr. Wiley, and he says you are protecting your home consumer by preventing this, but you will not protect us poor people in America, because you are allowed to do it. As a matter of fact, it is never done.

7818. You do not wish to lay very much stress on it, do you?—I think anything that will help us in our export business is worthy of consideration, and so far as we know in Scotland nobody mixes foreign with British spirits for exportation.

7819. Is this the point that you wish to make, that a mixture of foreign and British spirits is allowed to be exported by the Excise as Scotch whiskey, because if that is the point I say it is not so?—We have already told Dr. Wiley that it is never done.

7820. Are you making a case against Dr. Wiley or against the Inland Revenue, because I cannot quite make out which it is. I think you are rather arguing with Dr. Wiley, and I think the Commission might perhaps leave you to deal with him?—That is the unfortunate position that Somerset House took up, that it left us to deal with Dr. Wiley, and we could not convince him, because he says you are allowed to do this if you like.

7821. No, you are not allowed to do that if you like. You are allowed to do it under certain conditions which make it impossible that at the other end there should be any mistake. When British spirits are mixed with foreign spirits and exported they have to be labelled as a mixture of foreign and British spirits?—Is a cask marked in the same way?

7822. Yes, the cask is marked?—As mixed?

7823. Yes, a mixture of British and foreign?—But our point was that if it is never done, and not required for the trade, why should the Inland Revenue insist on keeping it there?

7824. Does that do you any harm?—Yes, because it has been urged against us that we can do a thing for exportation which we cannot do at home.

7825. Are you suggesting that any regulation of the Inland Revenue can possibly prevent a person in America from saying something that he wishes to say, which is all it comes to?—No, I think I would take it differently.

7826. To come to your next point with regard to the composition of blends, what would be your views as to stating separately what the composition of different blends is?—I think that would be objectionable.

7827. Would you give your reasons for that?—In the first place, as I state in my *précis*, the composition of our blends is a trade secret which has taken us years to establish, and I think it would be very difficult to verify.

7828. How would the verification be done—by analysis?—If I might say so—no. I say it would be difficult to verify. It might be possible in bond, as you know, to check a thing of that kind, but it would be difficult in duty-paid cellars to do so.

7829. You mean by the time it had got to the consumer, according to your view, there would be no way of verifying the truth of the statement?—No, it would be very difficult, and in that way it would open the door to fraud.

7830. In what way, exactly? Do you mean that the public would think that they had a security which they really had not?—That is so.

7831. Now, may I take you back to your definition of Scotch whiskey. You have given a definition that Scotch whiskey must be made of certain materials, in certain proportions, and you object to anything else being called Scotch whiskey. How, exactly, are you going to enforce that? In the evidence you have just given you have taken objection to any compulsory statement of the composition of blends on the ground that it would be very hard to verify; but now you have made your definition of Scotch whiskey, how, as a matter of practical working, is anyone going to enforce that? You want it done, but who is going to do it, and how is it going to be done?—I would say the Inland Revenue could manage that quite well.

7832. This is what I want to put to you. According to you, when a consumer has got a blend the Inland Revenue cannot be any use, and I quite agree we cannot, in saying what the constituents of the blend are. How are we going to be of any use in saying whether a spirit has got 24 per cent. or 25 per cent. of malt in it? How do you suggest the Inland Revenue could possibly do that?—I cannot see any difficulty. You have your officers at the distilleries.

7833. But if it has reached the consumers?—But I suggest that should be insisted on in the manufacture—in the mash.

7834. You refer only to that stage?—Yes, I begin it at the mash, and you can easily check that by your officers.

7835. You sell, I suppose, several blends—Glen Livet in various forms blended in different ways, I suppose?—Yes.

7836. But if you blend Glen Livet with grain whiskey how do you describe the product? Do you describe it as blended Glen Livet?—Yes.

7837. Would you use that expression whatever the proportions of the blend were? The blend is made of Glen Livet and grain whiskey. Perhaps I may start by asking this, what would be about the highest proportion of grain in the blends that you would sell as blended Glen Livet? If it is a trade secret, I do

not want you to answer me?—I think you must excuse my answering that.

7838. I can put it to you in a different way. If you heard that other people were selling as blended Glen Livet a mixture of Glen Livet and grain whiskey you would not necessarily object to that being described as blended Glen Livet, because there was some grain spirit in it?—That is a very difficult question.

7839. You yourself sell a blend which is described as blended Glen Livet, and it has grain whiskey in it?—Yes.

7840. Then you do not consider that the presence in a blend described as blended Glen Livet of a proportion of grain whiskey is any objection?—No, I am afraid not.

7841. (*Dr. Cushny.*) You approve of some regulation with regard to the character of the mash and also the age?—Yes.

7842. Are there any other regulations you would have in the manufacture?—No, I do not think so.

7843. Would you object to Scotch whiskey being labelled in different ways according to its nature?—Yes, but I think it would not do any great good and it would open the door to fraud.

7844. Would it not be fair to the customer that he should know whether he was buying Scotch grain whiskey or whether he was buying Scotch malt whiskey?—I do not think he requires to know that. He takes what he likes.

7845. But he wants to buy something. He may ask for Scotch grain whiskey and be given an old Highland malt or grain, or all sorts of things?—Is your point that it should be put upon the label?

7846. I was asking you whether you thought that it might be labelled?—I do not think there is any objection to people being allowed to label it as they like—Scotch grain whiskey or Scotch malt whiskey—but you would really, as I have said, open the door to fraud and not do any practical good if you made it compulsory.

7847. Would you put it under the Merchandise Marks Act, for example, if a man sold Scotch grain whiskey when he was asked for Scotch malt whiskey?—Should he be prosecuted under the Merchandise Marks Acts if he sold the wrong thing—yes, I think so.

7848. If a distiller uses less than 25 per cent. of malt in the mash you would not allow that to be called Scotch whiskey at all?—No.

7849. Would you allow it to be sold as a potable spirit?—Yes.

7850. Then you would have to have some special name for it, would you not?—Yes.

7851. Would it not be equally allowable or equally justifiable, or equally advantageous that you should have a special name for pure grain whiskey as apart from pure malt whiskey?—They are as a matter of fact called either Scotch grain whiskey or Scotch malt whiskey.

7852. Why not make that compulsory for the sake of the consumer? Would there be any objection?—When sold by themselves, do you mean?

7853. When pure malt or pure grain spirit is sold why should it not be compulsory to sell it under a special label?—I would have no objection to it being called Scotch grain and Scotch malt whiskey. I would call it and sell it as such.

7854. Would it be a disadvantage if blends containing about 50 per cent. of malt were distinguished by some special label from blends containing less than 50 per cent.?—Yes. As I have said, I think that would be difficult to check and would lead to fraud.

7855. Would it not be an advantage for the consumer again?—I do not think it would serve any advantage.

7856. He might get a five per cent. malt whiskey sold as a 95 per cent. malt whiskey. If it were possible, if the Inland Revenue undertook to look after the business, do you think it would be any drawback to the distiller when it is obviously an advantage to the consumer?—But how is the Inland Revenue to check it whenever it goes into duty-paid stocks?

7857. But supposing they could check it?—I do not think I quite see where the advantage to the consumer would come in, because my point is that grain whiskey is a perfectly wholesome thing when mixed with malt or alone. I do not see that it would be an advantage to the consumer at all to know the exact proportions of one and the other.

7858. It is not a matter of wholesomeness. I think all whiskey is wholesome practically—at least, equally wholesome—but it is a matter of taste and flavour?—Then the consumer takes the whiskey that he likes at present.

7859. If he knows that he is getting what he orders; but he does not if he does not know whether the blend contains 95 per cent. or 5 per cent.?—If you insist upon labelling whiskies in that way I think you would destroy the registration. Our labels are all registered all over the world. There are hundreds of them, not our own but other people's, and if you insist on altering our labels all these registrations would be altered and they would be of no use. We should have to re-register all the labels all over the world, and my point is that there is no real benefit to the consumer involved, and therefore no reason to go to all the trouble and expense.

7860. (*Chairman.*) Have you any of your labels with you?—No.

7861. (*Dr. G. S. Buchanan.*) Could you not meet that by supplementary labels in addition to the registered labels?—I am bound to say I am opposed to labelling.

7862. (*Dr. Adeney.*) You could not give us broadly what you put on your labels—what names you apply?—No.

7863. Is it simply Scotch whiskey?—We have our trade-marks, such as "O. V. G." and "Special Reserve."

7864. That would serve our purpose at the present moment if you could give us an idea of what information your labels contain?—I would rather not go into my labels if you do not mind.

7865. I do not want to press it if you do not think you ought to give it?—I would rather not.

7866. (*Dr. Cushny.*) "O. V. G." is one of your brands?—Yes.

7867. Was your attention drawn to the report of the inspector in Western Australia?—Yes.

7868. You do not want to make any remarks upon that?—No, except that in that report he said grain whiskey was made from molasses and potatoes and various other things, which the Commissioners know is absolutely untrue.

7869. But he said that half of the alleged Scotch whiskey was silent spirit?—Yes.

7870. Would that include yours?—He called it a silent spirit.

7871. (*Dr. Horace T. Brown.*) I think it is your opinion that a self patent still spirit might be sold as whiskey—as a Scotch whiskey even—if the materials of the mash were such as you specify with regard to the amount of malt?—That is so.

7872. I suppose your contention is that you might blend any of that whiskey with any other whiskey and still call the product whiskey?—That is so.

7873. You would not differentiate in that case a blended whiskey—you would not wish to put on the label that a blended whiskey necessarily meant that it was blended with a grain whiskey?—No.

7874. You have made some remarks in your *précis* about an analytical standard, and you raise an objection to Dr. Teed's standard. Does your objection apply to any analytical standard which might be brought forward for Scotch whiskey?—No, but my experience of analysts has been a little unfortunate. If the Commission would like to have it, I have the original of an analysis made by Dr. Teed before me, and a copy of another analysis that he made of the same whiskey, which analyses are absolutely contradictory.

7875. From the same sample?—From a sample taken from the same cask.

7876. Perhaps you will hand those in?—Here they are (*handing in documents*). Perhaps I may explain what they are. Some customers of ours in London called Peters, Hall and Co., bought some very fine old whiskey from us, and they supplied it to Sir Tatton

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Sykes, who asked them to get an analysis by Dr. Teed. They got that analysis, and sent it on to Sir Tatton Sykes. This whiskey was bought from us in December, 1904, and was bottled in August, 1905. They got the analysis for Sir Tatton Sykes, and it stated that the proportion of secondary products was 250·1, and that 50 per cent. of it was not whiskey. The second sample was taken from the same parcel, the same cask, and it was sent to Dr. Teed through the wife of one of the members of the staff of Peters, Hall and Co. from a private address; and the second analysis, of which, unfortunately, I have only a copy here given by Dr. Teed, who found it to contain 374·2 secondary products, and to be genuine pot still whiskey.

7877. The original of the last one you have quoted is here, and it is the other one of which you have a copy?—Yes, that is so.

7878. (*Chairman.*) Is this to show that analysts are not to be trusted?—Yes, my lord.

7879. You expressed your judgment as to the value of analysts before, and you said you did not think much of them, and what you are saying now is to confirm that view?—Yes, my lord, and Dr. Horace Brown was asking me some questions about the analyses. I have another one here. I want to justify my distrust and fear of analyses—that is all I wish to do. As I say, I have another one here that is rather interesting, not by Dr. Teed, but by a county analyst. (*Handing in document.*)

7880. (*Dr. Horace T. Brown.*) Is this a duplicate analysis of the same thing?—No, this is brandy. It is to show the difficulty of getting anything very definite out of analyses, because the analyses are in both cases practically the same but the conclusions of the analyst are different.

7881. I should like to ask you about the standardization of the mash. It appears to be your wish that there should be some minimum limit for the malt in the mash?—Yes.

7882. That minimum limit which you propose is 25 per cent. to 30 per cent. Do you consider this 25 per cent. or 30 per cent. really essential for producing the characteristics of Scotch whiskey in the patent still product?—My position is that Scotch whiskey, as at present manufactured, is a very good spirit, and has characteristics entirely its own, which I believe are due to the amount of malt put in in its manufacture.

7883. Have you ever seen a mash made with 10 per cent. or 15 per cent. of malt?—I am not a practical distiller.

7884. I suppose you are aware that if a minimum of this kind were established and the Excise were held responsible for seeing that distillers did not go below that point, that it would put a good many restrictions on the distiller. You would be prepared for that, I suppose?—Yes, I think so.

7885. (*Dr. G. S. Buchanan.*) With regard to what you were telling us about the origin of our Inquiry, all sections of the trade under your chairmanship were represented in the representations that were made to the President of the Local Government Board in favour of an inquiry at which this question of whiskey description could be settled, were they not?—Yes.

7886. That application by the trade was not merely the result of the Islington case by itself—I take that from your *précis*—but there were a number of other considerations as well; there was the general uncertainty of the consumer as to what was given to him under the description of Scotch whiskey, and the desire of all sections of the trade that something should be established with regard to a whiskey description which would be useful not only for home purposes but in connection with foreign trade. I do not know that I am putting it rightly, but there is a considerable section in your *précis* which we have not gone into. Would you say if what I have just put to you is correct, or would you like to amplify it in any way?—I do not exactly understand. I have said that all sections of the trade were anxious to have matters put on a more satisfactory basis.

7887. You refer in your *précis* to this all being the outcome of what you call "the Teed heresy," and my point was that there is a great deal more than the mere question of what you call the Teed heresy involved in the action of the trade. You had all the foreign difficulties that you have told us about, and other matters?—But my point is that they were all brought about by the Teed heresy. The Teed heresy has spread round the world.

7888. But surely, as far as the foreign action is concerned, the Islington case only formed a very small part of the whiskey question. For example in the United States a long series of pure food definitions have been made with regard to different classes of food during the last three or four years under the American food law, so it is not merely a question of whiskey being specially taken. Glucose products, jams, vinegars, cereals, and one thing after another have been taken and official descriptions have been prescribed, and in course of time they have come to spirits. The United States taking this matter up with regard to whiskey, was not merely the result of the Islington case, was it?—No. You notice in my *précis* when I talk of the United States and use the phrase "the Teed heresy," I say that Dr. Wiley unfortunately adopted the Teed heresy. I do not say that the whole action of the United States followed from that.

7889. As a matter of fact there is a very widespread movement in different countries (whether it is right or wrong, I do not say) in favour of getting official definitions and standards for different classes of foods. We have new food laws in our own colonies and new food laws growing up in a great many countries at the present time rapidly?—Yes.

7890. Part of the effect of certain of those food laws is that the Governments concerned supply official definitions, and sometimes also what amount to official guarantees as regards the quality or characteristics of the articles made in and exported from their countries?—Yes.

7891. And naturally where they do that, as for example in the case of Australian wines and French brandy and Dutch butter, and many other things, as they do those things they naturally begin to expect corresponding definitions and guarantees in the case of countries sending foods to them?—Yes.

7892. Considerations like that have had some influence, I suppose, on the trade in considering the question whether it is desirable that there should be a definite understanding as to what Scotch whiskey consists of. You have to meet the foreign difficulty some time or other?—Yes, I think that has probably emerged since we began.

7893. And from the trade point of view in asking the Government for assistance I suppose you would realise that any definition or description or regulation of whiskey that was adopted would involve some means of official control which is not exercised at present?—Yes.

7894. I may take it that that was realised by the trade. The traders whose opinion you voiced were not merely asking that things should remain undecided, but they were prepared that something should be done?—I think we did contemplate that something should be done.

7895. Your own definition, for example, of what should constitute Scotch whiskey would need some administrative action, would it not? Something would have to be done to supervise the standardisation of the mash that you suggest?—Yes.

7896. Some official action would have to be taken?—Yes.

7897. If Scotch whiskey were to be confined, as regards the grain part of it, to grain whiskey distilled in Scotland, that would need some administrative control, would it not?—Yes.

7898. If it is to be effective you must have some means of preventing the English patent still distillers or the Irish patent still distillers from sending spirit which is very similar in character to the Scotch patent still spirit into England to be blended with Scotch pot still spirit?—Yes, I suppose so.

7899. If there was any control in the way you recommend, that would mean that there would have to be some sort of system of invoicing and tracing—some system by which some authority would be able to trace what had happened to particular spirits to see that no misdescription was going on?—Yes.

7900. Would not that involve the blender having to produce to some competent authority his own books which would show what materials he used?—The Excise have all those at present.

7901. As regards blending in bond, that would be so, but as regards blending out of bond?—It would be difficult. Of course in duty paid cellars there is a stock book—I forget what it is called—where everything that comes in is entered.

7902. Have you any experience of blending out of bond in duty paid warehouses in your firm?—Oh, yes.

7903. In duty-paid warehouses can you say equally as well as in the case of bonded warehouses what are the constituents of the spirit in any particular vat or cask by your own books?—Oh, yes.

7904. Supposing, as regards any cask containing a blend you wanted to ascertain for any particular purpose whether it had more than 50 per cent. of malt whiskey in it, would you have any difficulty in it?—From my books?

7905. Yes?—Oh, no.

7906. Do your customers at any time ask you for information on this point, as to how much malt whiskey there is contained in a particular blend?—No, I do not think so. They sometimes ask for a pure malt whiskey, and then they get it in my experience, but I have never been asked by a customer to state how much.

7907. May I ask you a few questions on one or two subjects dealt with in your *précis*. Your firm are agents for Messrs. Smith's Glenlivet Distillery?—Yes.

7908. Does that mean that you take practically all the production of that distillery?—Practically all. A little is sold by the distiller in the North, in his own locality north of the Tay.

7909. But he does not sell it to retailers who retail it to the public as a self whiskey?—I do not know what he does, and I cannot speak as to what he does.

7910. You take practically all the product, and therefore, as a matter of fact, you know that he does not?—When I say all the product the position is this, that in our agreement north of the Tay is left in the hands of Messrs. Smith, and they can sell there as they like.

7911. Their market is limited to that extent?—Yes.

7912. A wine merchant in London, for instance, could not deal direct?—No.

7913. Then for blending purposes is it your practice to get all your grain whiskey from the Scotch grain whiskey distillers?—Yes, all the grain whiskey we use for Scotch whiskey. We have a small trade in Irish whiskey for which we buy Irish pot still and Irish patent still and blend that in Scotland.

7914. (*Mr. Guillemard.*) You bring them to Scotland and blend them in Scotland?—Yes, and sell them as Irish whiskey because they are Irish whiskies.

7915. (*Dr. G. S. Buchanan.*) You have experience of the two classes of grain whiskey, and perhaps you will be able to tell us what difference you think there is between the two?—To be perfectly frank, I do not think I have looked at the Irish grain whiskies that we get. It is a very small business altogether.

7916. Do you get Irish patent still whiskey to blend with the Irish pot still whiskey rather as a matter of sentiment, so as to keep the territorial distinction, or do you think the other would do just as well?—If we are asked for Irish whiskey we give it. That is the reason.

7917. You think it is a proper thing to do?—In exactly the same way, if we are asked for Jamaica rum we give Jamaica rum, and if we are asked for rum we give a blended rum. If asked for Jamaica rum we invariably give Jamaica rum. In the same way we give Irish whiskey if asked for.

7918. (*Dr. Adeney.*) Those are not quite analogous cases, are they?—I think so.

7919. As between an Irish patent still spirit and a Scotch patent still spirit?—I look upon both the Irish pot still and the Irish patent still as Irish whiskies, and I call them Irish whiskies.

7920. (*Dr. G. S. Buchanan.*) The change you have told us that took place in 1860 producing increased popularity and sale of blended pot still and patent still Scotch whiskey was due to various causes that you have told us about, but besides these there was the circumstance of the brandy failure, was there not?—Yes.

7921. At that time the public faith in brandy was very rudely shaken both with regard to brandy description and the character of the brandy?—Yes, of course, the vintage had failed.

7922. And I suppose another reason why the blended whiskey came in was that it was sold at a cheaper price than had been customary to pay for brandy?—That undoubtedly was the case.

7923. With regard to your view that the blend is lighter and more easily digested, and more suited to the public taste, you told us that at a place where you would expect to get good whiskey, a blend would probably be given to you?—Yes.

7924. Would not a high-class blend or most high-class blends contain a very large proportion of malt whiskey?—Not necessarily.

7925. Not necessarily, but would it not be usual?—I do not know that it would.

7926. (*Dr. Adeney.*) We were told yesterday anything between 30 per cent. and 70 per cent. Do you agree with that?—I think so.

7927. You would agree with that?—I would rather not tie myself down to definitions, but really, personally, in my own house, I drink a blend that has a very large proportion of grain whiskey, and we all do the same.

7928. (*Dr. G. S. Buchanan.*) I quite understand that, but I was asking you this: We have had evidence that some of these well-known proprietary blends and good blends contain grain whiskey, but it is only to the extent that is necessary, as has been put to us, to make the blend go well, making the different malts to mix together well, and removing the blueing that you get with the water, and so forth—altogether perhaps 20 per cent., or something of that sort, of grain in the total blend. If that is common, and apparently it is in some of these blends, do you think that that amount of grain whiskey is going to make all the difference between the digestibility and the wholesomeness?—I heard with regard to one of those whiskies that you refer to that they increased the amount of malt not very long ago, and they lost business through it. It was too heavy.

7929. You think that was because it did not agree with people?—That is what I was told.

7930. When your firm were asked a few years ago by numerous customers to supply pot still whiskey, I suppose you were asked to supply it at the same price, and yield the same profits to the retailer, as the blend you had previously sold?—Yes, practically the same price.

7931. That is to say, when you ask us to compare the pure pot still whiskey that you sent out with the blends that you were sending out before we have to remember that it is a malt whiskey and a blend at the same price?—Yes, practically so, I think.

7932. I take it that at the price, which would be the same as the blend, you would not be able to supply them with, say, a Smith's Glenlivet whiskey?—No, not pure; but I should say with reference to that, that the pure malt we supplied was really as matured as our blends.

7933. (*Dr. Adeney.*) Was it a similar malt in quality—about the same?—Yes.

7934. It might be described as similar in quality?—Yes, in some cases it was.

7935. But in these particular cases you refer to where the malt whiskey was returned to you?—Yes, the quality and the age was exactly the same as we put into our blends. We kept out the grain.

7936. (*Dr. G. S. Buchanan.*) Would they be malt whiskies from distilleries which habitually are regarded as sending out good self whiskies?—Oh, yes. In many cases we just practically took the malt distilleries that we were in the habit of dealing with and made up a blend from them.

7937. I suppose in some cases you continued to supply malt whiskey?—Yes, a few.

7938. Then with regard to your export trade, you tell us that though your standard qualities never vary, it is your business to see that particular flavours are suitable for particular places according to the public demand and the public taste. Could you tell me whether as regards the export trade you sell a great deal of bottle whiskey?—Yes.

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7939. Are the labels the same?—No; that is rather badly put in my *précis*. Our standard blends are always the same under the same labels. There is practically no variation in our standard blends, but sometimes we are told that a certain style of whiskey is liked in a certain market, and we do the best we can to get as near that style as possible.

7940. Would you send that out under your own label?—No.

7941. It would be a special label?—Yes.

7942. You were telling us about the people in Northumberland, the miners and the people on the Tyneside liking a light whiskey?—Yes.

7943. Is not another way of putting it that they like a strong whiskey? They like something which has a lot of alcohol in it and is cheap?—I think if you get on terms with the public-houses in the Newcastle district, you would find the strength was not stronger than elsewhere.

7944. Perhaps I have not put it rightly, but is not one characteristic of the sort of whiskey that is drunk by the miners on the Tyneside, for example, that they do not drink very much water with it? They like something which gives them a pretty large quantity of alcohol to drink?—I do not know. I have never travelled there myself, and I do not know what they do.

7945. Could you just tell us what is the ordinary meaning of "average age"? How do you reckon the average age? You say the average age for all your standard blends is absolutely fixed. Is that average age always worked out on the relative values?—Yes, it is worked out quite exactly. We mix different ages together and take the average age.

7946. In proportion to the amount of each constituent?—Yes, it is worked down to a point in our system.

7947. A small quantity of a very old whiskey would make practically no difference in calculating the age?—No, it would be given in making up the statement of age. If it was a small quantity that would be so much at, say, twelve years old.

7948. In reckoning the average age 5 per cent. of some very old whiskey, say a 20 year old whiskey, or something of that sort, would only be reckoned to the extent of 5 per cent.?—Yes, exactly.

7949. Could you furnish us at your leisure with some specimens of the calculations?—Yes.

7950. (*Dr. Horace T. Brown.*) Do you multiply the percentage by the age and divide the sum by 100?—I really forget how the clerk does it, but it is something in this way: supposing you take two casks of seven year old whiskey, and two of five year old whiskey, and two of four year old whiskey—of course, that is a very small number.

7951. (*Mr. Guillemard.*) Are you assuming equal proportions?—Yes. Then you divide that by six. Is not that the right way to do it?

7952. (*Mr. J. Y. Buchanan.*) I suppose a butt of six year old and a butt of eight year old would give you two butts of seven years?—That is it. I can easily send an excerpt from our blending book which will show it exactly, giving the numbers and everything else.

7953. (*Dr. G. S. Buchanan.*) If you will do that it will be very useful. May I suggest you should do it in half a dozen cases, including some complicated ones?—They are very complicated because our blends run to something like 50 butts each, and you have got all sorts of casks. Of course it is understood that would be for the private information of the Commission.

7954. Certainly.

7955. (*Chairman.*) But if it comes to us it must go upon the notes. We cannot take information that is not known outside. But cannot you set it out without names, and so on, under conditions that you do not mind it being published in our minutes?

7956. (*Mr. J. Y. Buchanan.*) Surely the arithmetical method of finding it can be set out quite well without names or anything further?—Yes.

7957. (*Dr. G. S. Buchanan.*) If you would give us in a few words a statement that could go upon the notes as to what the method of calculation is, and also furnish us for our own information with some specimens, I think that would meet the case entirely?—I think Mr. J. Y. Buchanan has put it quite clearly.

7958. (*Mr. J. Y. Buchanan.*) It is simply a sum in averages—nothing else?—Yes.

7959. (*Dr. Adeney.*) We may take it from you that it is a sum in averages?—Yes, but I should guard myself also by saying that although we average it in that way we will not allow the youngest whiskey in our blends to be less than a fixed age which we have fixed ourselves. We would not, for instance, in a good blend put in anything a year old and then bring that up to the average by putting something else in ten years old. It must be a certain age.

7960. (*Mr. J. Y. Buchanan.*) That is guided by the style of whiskey that you wish to produce?—Exactly.

7961. Which does not affect the average?—No.

7962. (*Dr. G. S. Buchanan.*) I notice that when you are dealing with the adoption by analysts of Dr. Teed's method you tell us that you know this was done in certain colonies and the results published while the case was still *sub judice*. Were you referring there simply to West Australia?—Yes.

7963. Are you quite sure that it was Dr. Teed's method that was employed in West Australia?—No.

7964. There are some papers that have been referred to here published in the Journal of the Society of Chemical Industries which show that the analysts used a different method—the Allen Marquardt and not Dr. Teed's method at all for the higher alcohols. The point is perhaps of some interest in view of what you have been saying about analysts, because in the same papers I think you will find that the analyst examined a number of proprietary blends and he made a working standard from those as to what a particular kind of whiskey was, and he found they varied very little. He examined a considerable series by the same method, and he found they varied very little from shipment to shipment. I do not know whether you are aware of that?—No, I do not know all the details.

7965. That, again, is an instance that it is not merely the Islington judgment that has raised this question?—But my point is that the Islington judgment started it and made the analyst out there go on with it.

7966. There is one point with regard to what Dr. Cushny asked you as to giving a description of blends according to whether they contained more than a certain proportion, say, 50 per cent of pot still whiskey. You tell us in your *précis* you object to this for two reasons, first, because you have to suit the public taste, and secondly, because you are afraid it would be necessary to set up a chemical standard. If you have to suit different tastes, is there any special reason why you should not describe your whiskey so as to assist the person who may have a taste for more malt or less malt, as the case may be? Would you regard it as a very serious inconvenience to your trade if you had to describe the blend in some differential way according to whether it contained more than 50 per cent. of malt whiskey in it or not?—I think, as I have said before, I do not think it would do any good.

7967. Assuming that both were allowed the name of Scotch whiskey, with some qualifying addition which showed which class they fell into, would you object to that?—Yes, because, as I say, I do not think it would do any good, but it would open the door to fraud. The only way you could check it would be by analysis, I think.

7968. Then as to the mixing of foreign spirits with British spirits, you tell us in your *précis* that this is never done in practice. Do you know that, as a matter of fact? Have you any special knowledge that it is not done?—No, but I think I give some reasons why it would be rather stupid to do it.

7969. (*Dr. Horace T. Brown.*) It would not pay to do it?—It would not pay to do it. There would be no object in doing it so far as I know.

7970. (*Dr. G. S. Buchanan.*) The reasons are in your *précis*, but I do not think we have them on the minutes. Perhaps you would give them?—It has been alleged that foreign and British spirits are mixed by blenders, but this would be impossible and foolish, as

any advantage in cost would be more than counterbalanced by the difference in the duty. The duty on foreign spirits is higher than our own.

7971. (*Dr. Adeney.*) It is 4d. a gallon?—Yes, and you see that prohibits it. Then, in bond again, it would be foolish, because if we exported the stuff we would forfeit our drawback which we get from the Excise authorities to compensate for the regulations under which we are bound to work in this country. There was a drawback paid to compensate blenders and distillers to equalise the cost as between spirits produced in this country and spirits produced abroad, where the regulations are not so restrictive—I would not like to say irksome, but there are not so many regulations.

7972. (*Dr. G. S. Buchanan.*) Have you been asked in connection with your foreign trade to put the words "Blended in bond," or to certify the fact that the whiskey has been blended in bond?—Yes, and we would like that very much, but we have never been able to get it.

7973. You would like to make that statement as something which would testify to the description which is given on your label? Is that the point?—No, the point is to show it has not been tampered with.

7974. Has any reason been given to you why you should not put "Bottled in bond"?—I think the reason is that it would involve a certain amount of responsibility on the Revenue authorities for which they, as a revenue-collecting body, would get no return whatever.

7975. And I suppose there is also the difficulty that out of bond the thing might nevertheless be tampered with?—Yes, that is so. A case came before me the other day where I found bottles labelled "Bottled in His Majesty's warehouse," so I wrote to Somerset House upon that, and I said, "I thought you did not allow this," and the answer was, "Oh, yes; that was not done in bond, but it was done after it was taken out of bond."

7976. It is more satisfactory that the statement should be prohibited out of bond and allowed in bond?—I think that is so, that is the feeling we have.

7977. (*Dr. Horace T. Brown.*) It is not a misstatement of fact? I suppose it was spirit that had been bottled in bond and which was labelled after it came out?—As to that I have no knowledge, and I do not suppose Somerset House had.

7978. (*Mr. Guillemard.*) They could not have any knowledge if it was put on out of bond?—My point is it would be better if you allowed it in bond, and then you would have some say in the matter.

7979. Why?—Because if you allowed it in bond you could trace it afterwards.

7980. How could you trace it?—Take the case of whiskey bottled in bond, you can tell where it goes to by the permits.

7981. But you cannot trace it right through to the consumer?—By the permits I think you can.

7982. (*Dr. G. S. Buchanan.*) Have you any experience of sealing bottles of whiskey with sealing wax?—Not much, but I have known it done.

7983. I ask you because the question arises as to the bottle trade?—Yes.

7984. Do you consider a capsule as a covering to a bottle is every bit as good a security as sealing wax and a seal, against tampering?—I think capsules can be put on in such a way as will prevent tampering. We put on our capsules with an adhesive substance which necessitates the destruction of the capsule when it is taken off.

7985. Is it more satisfactory to put on a capsule from the point of view of the risk of the spirit being spoilt?—I do not think there is very much in that.

7986. There is one other point which relates to the last two pages in your *précis*, where you give us your memoranda about the Whiskey Bill. You lay great stress there, do you not, on the care that is taken in the selection of materials in the manufacture of grain spirits. You say that no potatoes, beet or other roots are used at all, the materials in general use being maize and barley. We have had that insisted on by a good many witnesses, but is it a fact that if potatoes and beet are used in a patent still you would get anything deleterious in the result?—I speak with a certain amount of diffidence on that matter because I do not know very much about it, but I have seen foreign spirits made in Germany which I believe had been made from potatoes or beet, or something of that kind, and which was perfectly colourless, and very flavourless at first, but if it was allowed to stand with water for a certain time it developed a very abominable flavour, so that is my reason for thinking it is a very great point in favour of Scotch grain whiskey that none of these things are used.

7987. (*Dr. Cushny.*) There was no health question involved in this German spirit; it was simply an unpleasant odour?—I could not talk about health with regard to that; I never drank it.

7988. (*Dr. G. S. Buchanan.*) As a matter of fact it would not pay the grain distillers to use potatoes or beet at the present time?—I am not a practical distiller, and I do not know.

7989. In the last sentence of your *précis* you say if there was an interference with the blends of the kind that you object to, the chief gainers might be the Irish distillers and the French brandy mixers. What sort of French brandy mixers have you in your mind there?—Perhaps I should not have put that in my *précis*, to be cross-examined upon it, but I put it in to show that in 1904 ideas were practically the same as they are now. That was before the prosecution.

7990. The brandy mixer is simply a person who takes the full-flavoured French brandy and mixes it with a grain spirit, does he not?—I do not know about that.

7991. (*Dr. Adeney.*) Referring again to that last sentence of yours, you say another class of gainers would be the Irish distillers?—I think so, too.

7992. What do you mean by that? Do you mean that the Irish pot distillers would be able to introduce their whiskey into the Irish trade in an unblended condition?—Yes, I think if you did anything to hurt the Scotch whiskey trade as it is at present that the Irish people would very probably gain by doing so.

7993. But there would be no harm to the consumer if that was done? You do not suggest that the consumer would be prejudiced in any way?—I do not wish to say anything against Irish whiskey.

7994. Now you have expressed your objection to chemical analysis. I do not wish to quarrel with you if you would limit that objection to some of the methods of analysis that have been employed in the analysis of whiskies. That is really what you mean, is it not? You know we have had before us Dr. Schidrowitz, who strongly objected to the method employed by Dr. Teed, by which Dr. Teed made up his standard, you know that?—Yes, I have read his evidence.

7995. So this is really a battle of methods, and not so much a battle of analysts?—My difficulty is that you have a great number of analysts all over the country. They are not all, shall we say, of equal ability. You might find yourself exposed some day to a pronouncement by a man who was not really first class, and the mischief is done beyond repair at once, because it is very often made use of, and published far and wide.

7996. You would not object to an official Board of Reference, I suppose, to whom appeals on chemical analyses could be taken?—That would be a much fairer way.

7997. But you are aware that it is the methods themselves which are at fault, or some of them that have been employed?—I am glad to hear it.

7998. Now I have gathered from your evidence and from the evidence that we had before us yesterday, that there may possibly be two purposes in view in blending pot still with grain spirit or patent still spirit. The first is to improve the pot still, to render it a well-flavoured whiskey that will stand dilution with pure water or with mineral water without blueing or causing a turbidity. That is one purpose. The other purpose is to dilute the pot still, the dearer spirit, as much as possible with a cheaper spirit so as to produce a very cheap, but at the same time, wholesome whiskey. Those are the two purposes that I gather the blender may have in his mind. Am I right?—I would put the first proposition a little differently. I say, and I think, that mixing pot still with patent still improves both.

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7999. That is to say the first object of the blender is to produce a well-flavoured whiskey that shall command a good sale among a body of customers who can afford to pay a fair price?—That is so.

8000. Am I right in that?—Yes—a potable spirit.

8001. A pleasant potable spirit?—Yes.

8002. And the consumer being able to afford a fair price?—Yes.

8003. Could you tell me what would be the minimum proportion of pot still in such a blend?—I think I have answered that question before, have I not. I would rather not try to put a minimum.

8004. I was hoping you would be able to assist the Commission at this stage by arriving at some sort of classification of the different whiskies that have been mentioned before us. We have had Scotch grain whiskey, Scotch malt whiskey, we have had whiskey, we have had Irish grain whiskey and Irish pot still whiskey, and then we have had the word "blend," but I gather from evidence, which was given before us yesterday especially, that blenders of what we may call the good blends, I mean those who are concerned to turn out the best possible quality of Scotch whiskey, hesitate in using the word "blend," and they would prefer to call it "Scotch whiskey." Now, can you assist the Commission in arriving at any classification of these various whiskies that have been brought before us? Would you object to the patent still spirit being called a Scotch grain whiskey?—No, I do not object to Scotch patent still whiskey being called Scotch grain whiskey.

8005. (*Dr. Horace T. Brown.*) Scotch grain whiskey or Scotch whiskey without the word "grain"?—When sold alone, do you mean?

8006. (*Chairman.*) There is a great difference between "Scotch whiskey" and "Scotch grain whiskey." Which term would you accept?

8007. (*Dr Adeney.*) It is an important point if you can assist the Commission on it?—It is a very difficult one to answer off-hand.

8008. In your English and foreign trade on what do you depend, as characteristic of a Scotch whiskey as against Irish whiskey?—I call pot still whiskey "Scotch malt whiskey" and in the same way I call patent still whiskey "Scotch grain whiskey."

8009. That is the point I want. Have you any knowledge of the old custom or practice of toddy drinking?—No. I sometimes take a little whiskey hot myself.

8010. Can you confirm what I think has been told use before, that at that time it was always new whiskey that was used for toddy drinking? Does that come within your knowledge?—No. I have heard that a great deal of new whiskey was drunk long ago. It was practically hardly ever matured. I have heard that.

8011. But you do not know of your own knowledge?—In the Highlands I have heard distillers tell me that it used to be drunk practically new, but I think they were very strong people.

8012. I should like to ask you another point that arises on the evidence given before the Commission yesterday, and that was the point whether ageing was part of the process of the production of pot still whiskey?—I do not quite see what is gained. Do you mean it is not a finished article until it is aged?

8013. It is not a finished article until it is aged. Do you agree with that?—No, I do not think I would go so far as that.

8014. It has been urged against the suggestion that the word "Scotch" might be applied to a blend containing not less than 50 per cent. of malt whiskey, that Highland malts for instance are so much more highly flavoured than Lowland malts, and that so far as flavouring power is concerned the Highland and the Lowland malts differ materially. But is that quite a fair objection? You never do use an individual malt for blending, do you? Do you not use a number of malts?—Yes.

8015. And may not those blends of malts be both Highland and Lowland?—Yes, but if you fix your standard too high and people want what we call a mild flavoured whiskey, the effect of fixing your standard too high would be that they would use more of the less highly-flavoured whiskies.

8016. Would that be a prejudice to the consumer if that was done?—I do not know, but it would be a prejudice to the Highland distillers.

8017. It would be a matter as between the Highland and the Lowland distillers?—Yes.

8018. So far as the trade at large is concerned, they could obtain the article required?—Yes, I suppose so. It would necessitate some little time before anything like that was done.

8019. So many of the blenders have told us that the art of blending is an extremely intricate one, and that the malts themselves are blended together first, and it occurred to me that probably in that blending both the Highland and the Lowland malts were used. Am I right or wrong in that?—I think you are right in assuming generally that Highland and Lowland malts are used in very many blends.

8020. (*Mr. J. Y. Buchanan.*) One question about that subject which has been before us so often and which is rather confusing. You said that you thought the best way of controlling the designation of Scotch whiskey was to control it in the formation of the mash by specifying a certain percentage of malt which it should contain as a minimum, and I think you mentioned 25?—Yes.

8021. That is to say, in a distillery in Scotland you would expect the Excise to exercise such supervision that the mash distilled in a Scotch distillery, whether pot or patent still, would necessarily contain not less than 25 per cent. of malt?—Yes.

8022. Would any Scotch distillery in those circumstances distil from a mash which contained less than 25 per cent.: do you think it would be likely?—I do not think it would be likely.

8023. Then of these whiskies which have been distilled from the mash with a minimum of 25 per cent. of malt which would be either patent still whiskey or pot still whiskey, you could blend them in any proportion that you pleased? To take an extreme case, you might have one per cent. of pot still and 99 per cent. of patent still, or one per cent. of patent still and 99 per cent. of malt, but these would all be Scotch whiskies, would they not?—I think that is a very extreme case.

8024. I mean it to be extreme. It probably would not occur in practice, but that delimits the thing?—Yes.

8025. And therefore as the Scotch distilleries would in these circumstances not produce a whiskey from anything that contained less than 25 per cent. of malt, the question of what they would do with that whiskey does not arise?—I do not quite follow that.

8026. If on your proposition it becomes obligatory, and it is enforced by the inspector of Excise, that the mash from which the Scotch distiller distils, whether he distils in the pot still or patent still, shall contain 25 per cent. of malt, that excludes spirit produced from any mash that contains less than 25 per cent.?

8027. (*Chairman.*) In examination in chief, I think that was not what Sir Robert Usher said. He said he would not prohibit it, but he would sell it as "spirits" and not as whiskey.

(*Mr. J. Y. Buchanan.*) I was making a conclusion from the fact.

(*Chairman.*) But he did not prohibit it from being made. He only prohibited it from using the term Scotch whiskey. You put it to him that he would prohibit it.

8028. (*Mr. J. Y. Buchanan.*) I did not mean prohibit, but the effect of the regulation would be that it would be so inexpedient that the Scotch distillers would not produce it. They could not call it Scotch whiskey, and therefore there is no need to concern ourselves about providing an outlet for such a product if it is not produced?—No.

8029. And then, when it is produced with that percentage of malt, these two pot still and patent still spirits so produced may be blended in any proportion, and still preserve the full right to the title of Scotch whiskey?—Yes.

8030. (*Mr. Guillemard.*) There is one point I wanted to make a little clearer with regard to the mixing in bond of British spirits and foreign spirits, because I think I left off perhaps with a wrong idea of what you meant, and I want to get clear in my own mind exactly what you want to put before the Commission. At

present British spirits and foreign spirits are allowed to be mixed in bond for exportation only?—Yes. Is not that correct?

8031. That is perfectly correct, and they are allowed to be mixed on certain conditions, the principal condition of which is that the resulting product, the mixture, is described as a mixture of British and foreign. That is allowed at present. Now, do I understand that you on behalf of the trade ask that the Excise should prohibit that practice which they now allow?—Do you mind me asking you one question before I answer that. Are we allowed to mix in bond British and foreign spirits for home consumption?

8032. No, certainly not. You are not allowed to mix them for home consumption, but you are allowed to mix them for export?—Under no conditions whatever?

8033. Under no conditions whatever are you allowed to mix them for home consumption. You are allowed under certain conditions to mix them for exportation. Do I understand that on behalf of the trade, because this is an important point affecting my department, you wish to ask the Excise to prohibit what is now allowed, namely, the mixing in bond for export of British and foreign spirits. The reason for my putting the question is this—so do not answer it unless you are quite sure of your facts, and that you do speak for the trade—I cannot myself go back to anything like the time when it started, but it is perfectly obvious that whatever is allowed to be done by the trade for export must have been allowed by the Excise at the request of the trade. The Excise would not, independently, have suggested that such a thing should be done, but it is obvious the trade must have come to the Excise at some time or another and said, we wish to bond for export British and foreign spirits. I am not speaking of what I know to be a fact, but I think it must have been so?—Yes.

8034. Do you now, on behalf of the trade, say that you wish that to be prohibited, because you go on to say in your *précis* "Somerset House has been petitioned in vain"?—That is so.

8035. Do you mean by that that the trade have asked Somerset House to prohibit what they now allow in that respect? I do not know of it?—I would not like to be quite sure of the association that did it, but it was done by one of the representative associations which met in Glasgow.

8036. Do you think the trade as a whole would be prepared to endorse that view?—So far as my knowledge goes, yes.

8037. (*Chairman.*) Why?—Because it is being taken hold of in America. "Your people allow mixing in bond for exportation, but not for home consumption."

8038. (*Mr. Guillemard.*) Before we get to that you think that Somerset House has been definitely asked by the trade to prohibit that?—Yes, I think I can get that for you.

8039. I wish you to let me have it because my memory is that you are mixing two or three things together, and I want to have it quite clearly on paper whether the trade wish that the permission to blend British and foreign spirits for export should be withdrawn by the Excise; if that is put before the Excise by the trade as a whole of course the Excise would consider it. They have no object in keeping the regulation going?—Quite so. We could not understand it.

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8040. I am only putting it like this because I am not quite sure you have got the facts as they are, so if you will look them up I shall be glad?—Yes.

8041. (*Dr. G S. Buchanan.*) If I understand your proposal and your position aright it would be this, that not only this question of mixing British and foreign spirits should be considered, but there should be a complete revision of all the differences which at present exist between the Excise regulations in the case of spirits sold at home and spirits which are exported. Of course, there are distinctions which are perfectly obvious and proper for revenue reasons, but you want an overhaul of the whole series from the point of view of seeing whether any of them could be used prejudicially to the Scotch whiskey exporters in connection with the administration of the foreign food laws?—Yes.

8042. The thing cannot be gone into merely piecemeal, if I understand what the American objection is. There is a whole number of them which rightly or wrongly (very likely wrongly) can be represented as meaning that there is a difference in quality between what is called Scotch whiskey here and what is sent as Scotch whiskey to America?—That is what they say in America. I think your suggestion is possibly that Somerset House might do something a litfle more to help us with regard to exportation.

8043. That is what I think you want?—Yes.

8044. (*Dr. Horace T. Brown.*) In answer to a question by Mr. Buchanan you said that provided that your limit of the mash was established you would consider a blend of any proportion of pot and patent still spirit as Scotch whiskey?—Yes, I think I said that.

8045. But you had previously said (and this I could not quite understand) that you would regard one of the constituents of the blend, that is, the patent still spirit, not as Scotch whiskey, but as Scotch grain whiskey?—Your point is that I call it Scotch grain whiskey when it is alone, and I call it Scotch malt whiskey when it is alone, but I call it Scotch whiskey when it is blended.

8046. Yes?—I see what you mean.

8047. (*Dr. Adeney.*) Would it not do if you made "Scotch whiskey" a generic term which contains the two species, the one grain and the other malt?—I think that is the right way to put it.

8048. (*Dr. Cushny.*) We have left this matter of the "O. V. G." in a very unsatisfactory state. You have said this is not pure Glen Livet, and this Australian authority said it was silent spirit. You wish to deny that?—Yes.

8049. You deny that it is patent still whiskey pure and simple?—Yes.

8050. But you do not wish to give the constituents?—No, but I absolutely deny it is a silent spirit.

8051. (*Dr. Adeney.*) You made a remark with reference to Scotch patent still spirit being of a very good quality, which I have no doubt it is, but you do not wish to suggest by inference that the Irish patent still spirit is necessarily of poor quality?—No, I do not wish to infer that.

The witness withdrew.

Adjourned for a short time.

Mr. John Gillon Dawson, called.

Mr. J. G. Dawson.

8052. (*Dr. Cushny.*) You are a managing director of Messrs. John Gillon and Co., Limited?—Yes, I am. I might mention at once that I come up here at the request of the Edinburgh and Leith Wholesale Wine and Spirit Dealers' Association.

8053. Your business is of old standing?—Yes, very old standing.

8054. How long have you been connected with the whiskey trade?—I have been connected with it since 1863.

8055. What is the tradition of your firm as regards the method of making whiskey?—In what way?

8056. Did they use the pot still?—Yes, we used the pot still.

8057. And what materials?—We are not distillers; we are merely blenders.

8058. What is your definition of whiskey?—For what is known as Scotch patent still spirit it should be made from 25 to 30 per cent. of malted barley, and other cereals.

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8059. Do you limit it to grain whiskey—that grain whiskey must be made with from 25 to 30 per cent. of malt?—I understand it is so made.

8060. Would you state what cereals are to be used?—I am not a distiller. I leave that to the distillers.

8061. What is your impression as regards malt whiskies? Are they capable of being drunk alone?—Not in my opinion.

8062. Not even the best?—No, the best least so.

8063. We have heard some evidence that they are drunk quite largely in London?—Yes.

8064. Do you still consider them unsuitable for drinking alone?—That is my experience.

8065. What do you consider is the object of blending?—To make a good drinkable whiskey.

8066. And also to make it cheaper?—Yes, necessarily to make it cheaper by using grain spirit.

8067. Malt whiskey improves by ageing?—Yes.

8068. Does grain spirit also improve by ageing?—Yes, it does.

8069. If a dealer orders some new Scotch whiskey, what do you give him?—A blend.

8070. Would you mind stating in general terms the percentage of the blend?—It depends upon the price which is paid.

8071. How far do you go down in blending?—I cannot name a percentage.

8072. (*Chairman.*) Will you give us the highest and the lowest price of the blends?—The lowest price is about 3s. per gallon in bond.

8073. And the blend is in what proportion?—The proportion is about 10 per cent. of malt and 90 per cent. of grain.

8074. That is the lowest. Now, will you give us the highest?—The highest is about 10 per cent. of grain and 90 per cent. of malt.

8075. (*Dr. Cushny.*) You call both of those blends, I suppose?—Yes.

8076. Do you sell pure grain at all?—Sometimes we do; usually under the name of the distilleries.

8077. You found that malt whiskey shipped abroad was unsaleable, and was not appreciated?—Yes.

8078. What was the complaint about it?—The complaint was that the whiskey was too heavy, and that people could not drink it.

8079. What did you do to correct that?—We put in some grain spirit.

8080. Have you had any similar experience since the Islington case?—No.

8081. Were you asked for malt whiskey after the Islington case?—Yes, we had several inquiries.

8082. What did you do?—We supplied it.

8083. With what result?—It almost all came back—in every case except one people asked us to take it back.

8084. What is your idea with regard to compulsory ageing and bonding, say for two years?—The Association, whom I represent here, thought that two years would be a fair age for grain spirits.

8085. Have you any personal objection to that?—None whatever. I think it would be desirable.

8086. (*Chairman.*) Would you say two years for grain, and the same for pot?—I would say a little longer for pot—perhaps three years.

8087. (*Dr. Cushny.*) Would you recommend it?—I would.

8088. I notice you say in your *précis*, "provided it applies to all spirits"?—Yes. The difficulty of course necessarily comes in there with gin, rum and brandy. The difficulty is whether that can be arranged.

8089. You would not keep gin for two years, would you?—Gin, I understand, is sold new, and the trouble would come in there as regards price, because if you make the distiller keep his grain whiskey for two years he is then under a disadvantage compared with the gin distiller.

8090. Is it your impression that we could insist upon gin being kept in bond?—The Scotch whiskey distiller would be under a disadvantage because it would perhaps cost him 6d. per gallon more for the two years that he had to keep it.

8091. Would you object to gin being kept?—I do not think it would be fair.

8092. Is that the opinion of your Association also?—Yes.

8093. What are you going to do in the case of Australia, which has fixed two years?—They get a certificate of the age.

8094. What about gin?—I do not know anything about that, but when they order whiskey they get a certificate of the age of the whiskey given before a Justice of the Peace that the whiskey is at least two years old.

8095. (*Dr. Horace T. Brown.*) What evidence is brought forward in a case of that kind to show that it is two years old?—You simply go before a Justice of the Peace and make an oath to that effect.

8096. (*Dr. G. S. Buchanan.*) You go before a Justice of the Peace and make a statutory declaration?—Yes, a statutory declaration. We ought to get a certificate. We asked it from the Customs, but the Customs would not give it.

8097. (*Dr. Cushny.*) You consider that blends of Scotch whiskey must be entirely composed of whiskies made in Scotland only in order to be called Scotch whiskey?—Certainly.

8098. You would not insist on the blending taking place in Scotland, would you? What I mean is that a London blender might fetch down some malt whiskey and some grain whiskey, both from Scotland, and blend them?—If the whiskies were all Scotch, I do not see any reason why he should not be allowed to blend them in London if it were done in bond.

8099. But you would refuse to let him do it out of bond?—I think it would be safer to be done in bond.

8100. Then you would object to notifying the proportions of the blend?—Yes.

8101. And you said that such a notice would destroy trade abroad. What is the meaning of that exactly?—If you made a standard for whiskies necessarily, you would have to alter all your blends to start with, and you have no guarantee either that the alteration would do any good.

8102. Then you say the retailers to whom you supplied are notified. What are they notified of exactly?—That they are buying blends.

8103. But they are not notified of the proportions?—No, certainly not.

8104. (*Dr. Adeney.*) Can they judge the proportions from the price?—Not the proportions.

8105. Can they judge the proportions approximately from the price?—Do you mean the proportions of malt and grain spirit?

8106. Yes. Can they judge them from the price that you charge them?—If a man knows his business he can get a fair idea from that, and from the flavour of the spirit.

8107. (*Dr. Cushny.*) You export a good deal?—Yes.

8108. All blends?—All blends entirely.

8109. To the United States and to the Colonies?—Yes.

8110. Have you noticed any rapid development of this in recent years, or has it been a steady growth?—Since 1886 there has been a large increase in the sale.

8111. What considerations do you take into account in the making of a blend? How do you make a blend? Do you always make the same blend?—Yes; once I make a blend I keep to the same blend.

8112. Have you several blends?—Yes.

8113. And you blend them according to what rule—do you blend them according to taste and flavour?—I make a blend using certain whiskies as may be required.

8114. Is it always the same?—Yes, the same age of whiskies, and the same proportions of patent still whiskey and malt whiskey.

8115. And the same proportions of different distilleries?—Yes.

8116. Are they invariably the same?—Yes, they are invariably the same unless one happens to be bad, and then I put that out and put in another one.

8117. You think the taste of the public has changed now?—Yes.

8118. In what direction?—I do not find any difference in the last year or two in the taste of the public.

8119. But since 30 years ago it has changed?—Yes. Thirty years ago there was very little demand for Scotch whiskies, and after the blends were introduced the taste of the public changed materially.

8120. Have you found the taste of the Scotch public alter also?—Our trade is more in England.

8121. Is grain whiskey kept in bond at all?—Undoubtedly.

8122. To an extent comparable to malt whiskey?—Yes.

8123. Do you mean quite as long?—As a rule, longer, I think. It depends for what purpose you wish it. If you wish to make a light whiskey you require older grain.

8124. Do you mean to say that grain whiskey is kept longer than malt whiskey?—In some cases, for certain blends, but, as a whole, I do not say that it is.

8125. I cannot quite understand how you state that entire malt whiskies are quite unsuitable for drinking?—That is our experience; we have no demand for them.

8126. (*Dr. G. S. Buchanan.*) Do you encourage a demand?—Our travellers offer them.

8127. (*Dr. Horace T. Brown.*) Is it a question of price?—I should not think so. We go about among brewers, and it may be that the brewers and wine merchants do not want them.

8128. (*Dr. Cushny.*) With regard to the blends, would you object to some differentiation between the different classes of blends? For instance, you send out a blend containing 90 per cent. of grain and 10 per cent. of malt, and another blend containing 90 per cent. of pot still?—Yes.

8129. Do you not think it would be well to make some difference in the labelling with regard to those?—We do that.

8130. Do you think it would be objectionable to make it compulsory to have those labels?—Undoubtedly.

8131. You think it would be objectionable?—Yes.

8132. Will you tell me why, exactly?—It would do no good, and it is no guarantee. It would lead to fraud and misrepresentation, and they would tie you down to using certain whiskies which you might otherwise not wish to use.

8133. How would it tie you down to using certain whiskies?—For example, a distillery might give up making a certain whiskey, and if you have a certain percentage of the whiskey of that distillery in your blend, and that distillery stops making it, you would have to change your blend.

8134. I do not think anybody suggests that you should make a definite statement as to any one distillery, but you might have it that it is to be 50 per cent. of malt and 50 per cent. of grain?—I do not think it would do any good to have that.

8135. Would you object to that?—Yes, decidedly.

8136. Could you give us any reason for that?—I could give you no reason beyond what I have already given.

8137. Those reasons are not very convincing?—I do not see that it would do any good. It is no protection to the public.

8138. If the public thought it was a protection then would you object?—No, not at all, not if they wanted it.

8139. (*Dr. Horace T. Brown.*) You stated that your father used grain and other cereals in Scotland in a pot still?—Yes.

8140. He used grain and other cereals, as well as malt and barley in a pot still?—Yes, he told me so.

8141. Can you give the Commission any information about the date of that?— No. My father died in 1877, so that it is an old story. I perhaps should not have put that in my *précis*.

8142. This was a whiskey made very much on the Irish lines?—No, it was a Lowland malt distillery—at Linlithgow, near Edinburgh.

8143. We have had it in evidence that grain has not been used, at any rate, for a very long period in Scotch pot still distilleries?—Yes, for many years prior to that date they only licensed malt whiskey from malted barley, and they could not use anything else but malt.

8144. That is going back a long way. Would you consider that grain whiskey made in a patent still is entitled to the term Scotch whiskey when sold by itself?—Yes.

8145. I see that you recommend the standardisation of the mash, that is that in the patent still the mash should consist of at least 25 to 30 per cent. of malted barley?—Yes.

8146. Have you any special reasons for that other than that it is the custom at the present time?—No, none except that we like the whiskey we are now getting, and we would not like to see it other than it is.

8147. Have you no other reason?—No.

8148. (*Dr. G. S. Buchanan.*) You tell us that when buying whiskey from samples you are particularly careful so as to get a satisfactory grain whiskey. Can you tell us what you regard as a bad grain whiskey?—It may be tainted with wood, for example.

8149. From the cask?—Yes, from the cask.

8150. Is that the main thing?—There are other things. Perhaps it has been put into a cask that has had bad wine in it—bad sherry or something of that sort. You have to sample every cask carefully.

8151. Accidental circumstances of this kind and not circumstances that necessarily relate to the method of distillation?—No.

8152. (*Dr. Horace T. Brown.*) They are circumstances affecting the cask and not the whole distillation?—That is so.

8153. (*Dr. G. S. Buchanan.*) When you had orders from wine merchants in England for malt whiskey and found that what you supplied was not acceptable, were you supplying the wine merchants with malt whiskey at the same price, and with an article which would give them the same profit as the blends which you had supplied hitherto?—No, they were paying a few shillings more per case.

8154. Were they proposing to charge more for the whiskey they sold?—They sent the order at a price, and we supplied it.

8155. You do not know whether they charged more to their customers?—No, I do not know anything about that.

8156. Is your advocacy of a two years' age limit on behalf of your Association?—Yes.

8157. Is the object of that that you desire to improve the character of Scotch whiskey as a whole—as a class?—Yes.

8158. Not because you consider it necessarily deleterious, but because it is an improvement?—It is to a certain extent deleterious, and there is a certain amount of ethers in new whiskey which you get rid of by keeping it for two years.

8159. You say in your *précis* that the bye-products in every distillery vary from day to day, and that is a reason why no chemical standard could be enforced. To your knowledge has anybody ever tried at a distillery a series of chemical analyses for this purpose?—No, because chemists rarely agree in their analyses.

8160. That is merely an opinion on your part?—I know by the variations shown in blueness of colour when mixing them with water and also by the flavour.

8161. That is mentioned as a reason against chemical analysis being applied?—The same whiskies vary at distilleries week after week in that respect.

8162. Would you only allow a London blender to mix Scotch grain and Scotch malt and call it Scotch whiskey?—In bond.

8163. You would restrict him?—I see no reason why he should not be allowed to do it.

8164. Surely there are any number of blenders at the present moment who mix in London, and it would greatly dislocate the trade making requirements of that kind?—I do not see why. I do not see why a man should not be allowed to mix them in London if it was whiskey.

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8165. What about the wine merchant in London. Are you not going to allow him to mix duty-paid spirits?—Yes.

8166. Would you stop that?—No, I would not.

8167. Supposing your blender in London has the Scotch pot still malt whiskey that is suitable for blending, and he has an Irish grain spirit both on his hands, and he wants to blend them, would you prevent him from doing this and calling it Scotch whiskey?—Yes, it would not be honest. One is Irish and one is Scotch, as I take it from you.

8168. (*Chairman.*) Ireland would complain, would it not?—Yes.

8169. (*Dr. G. S. Buchanan.*) I only wish to know the extent of the importance you attach to trade descriptions. You attach very great importance to trade descriptions?—Yes.

8170. Do you think that would be in the interest of the public?—To stop it?

8171. Or is it solely in the interest of the trade?—I do not think it would be fair in any sense to allow a man to mix Scotch and Irish whiskey and call it Irish or Scotch.

8172. At the same time you strongly protest against the mixture of malt whiskey and pot still whiskey being declared?—In what way?

8173. You told us that you disliked the declaration on a Scotch blended whiskey that it contained a proportion of malt and grain?—I object to putting the proportions—not a proportion.

8174. I understood, in answer to Dr. Cushny, that you objected to even saying that it contained even more or less than 50 per cent. of malt?—I do not think that question was asked me as to more than 50 per cent. of malt.

8175. Then I ask it now: would you object to stating on the label of the blender that it contained more or less than 50 per cent. of malt whiskey?—I do not think the blender should be asked to declare what his blend consists of.

8176. You do not think that would be in the interests of the consumer?

8177. (*Chairman.*) You have no objection to calling it blended whiskey?—No.

8178. (*Dr. G. S. Buchanan.*) You have none of your labels with you?—No.

8179. You do make different blends?—Yes, names are given to the different blends that we have.

8180. You give no information as to them?—No.

8181. Have you had any of your whiskies objected to abroad?—In America we have, because they were said to be made in a pot still from malted barley only.

8182. (*Dr. Cushny.*) They have been admitted now?—They have.

8183. (*Dr. Adeney.*) That complaint has not been pressed?—They have been admitted under certain conditions.

8184. (*Dr. G. S. Buchanan.*) Have you altered the character of what you send them?—I have made no alteration.

8185. (*Dr. Cushny.*) Would you mind saying under what conditions they have been admitted?—I can give you the conditions. They are subject to the Law Courts. I will read the conditions under which they have been admitted. "United States and imported whiskies. Washington, April 25th. It has been decided to admit whiskies manufactured abroad, but alleged to have been misbranded under the Pure Food Law. Such whiskies will, however, be subject to adjudication in the Courts of Law."

8186. (*Mr. Guillemard.*) The effect of that is that instead of trying to reject the spirit at the port of entry, the Americans are leaving it to be decided in the ordinary way by analysis when it reaches the inside market?—If a man goes into a grocer's shop and buys a bottle of that whiskey, you are liable to be hauled up for selling that whiskey. That is what has been done now. I have not heard of any case being taken under this law.

8187. They have given up stopping them at the port of entry?—Yes. I had a letter from the Foreign Office yesterday to that effect.

8188. (*Dr. Adeney.*) Do you know anything of Irish whiskies?—I cannot speak about Irish whiskies because we sell very little of them.

8189. You would know something of them if you sell them?—We sell a little.

8190. Do you know anything of the Irish patent still spirit?—I have had some of it.

8191. Is it very different in flavour from the Scotch?—It has a different flavour.

8192. A distinct flavour?—I think so.

8193. Would anybody but an expert taster detect a difference?—I should think so.

8194. I should like to ask you what do you associate with the term Scotch when applied to whiskey?—Whiskey made in Scotland.

8195. That is all?—That is all.

8196. Then with regard to analysis of whiskies, you suggest the results of analyses of whiskies from the distillery vary very much?—Yes.

8197. You have not any evidence here to prove that?—I did not bring any evidence to prove it.

8198. Are you aware of evidence existing?—I have seen a long string of analyses by Dr. Tatlock to that effect.

8199. Do you happen to know—I am asking you for an opinion whether similarly flavoured blends of whiskies, such as your own blend, which you say you work up always to a similar flavour vary in analysis. Have you had those blends analysed?—Yes.

8200. Have the results of the analyses varied?—They have not always been the same, and there have been considerable variations by different chemists.

8201. You spoke of being in a difficulty to see how a legal limit to the amount of malt in a blend to be called Scotch whiskey could be enforced. Do I understand you aright?—You could enforce it if you make such a law, but I can see difficulties in the way of that, because there are many different kinds of malt whiskies. You cannot compare a Lowland malt whiskey with an Islay, or Highland or North Country because they are all different.

8202. But as a matter of fact do you in your blends use only the Highland?—No.

8203. Then you, in the first instance, blend your malt whiskies?—No, we blend them all together, grain and malt.

8204. In any of your blends have you only Highland malt?—No.

8205. Both Highland and Lowland?—I beg your pardon, we have one blend which is only Highland malt and grain.

8206. But most of your blends have malt?—They have Highland, Lowland, Islay, and Campbeltown.

8207. Does your objection stand to a legal limit?—I do not see what good it would do.

8208. That is putting it in another way?—If you say a certain proportion of grain and malt, which malt are you going to make the man take?

8209. That I should leave to the trader?—You would take a malt which costs 2s., or you would take a malt which costs 4s. 6d.

8210. That I should leave to the trader. You put your objections on a different ground now, do you not? You state the difficulty is because Highland malts differ from Lowland malts, and you use mixtures of those?—It would be very misleading to the public to make such a rule.

8211. You do not make it plain to my mind where the misleading would come in?—It is misleading in this respect, that there is such a great variety of malt whiskies made in Scotland.

8212. That is a question of malt whiskey made from a pot still which produces the majority of the flavour?—You do not get much flavour out of a Lowland malt.

8213. You get more out of a pot still?—I get more flavour out of Lowland malt than out of patent still.

8214. So that there is an advantage in using it and paying a higher price for it?—Yes; otherwise we would not use it.

The witness withdrew.

Mr. THOMAS HUTCHISON, called.

8215. (*Mr. J. Y. Buchanan.*) You are a member of the firm of Hutchison and Co., wholesale wine and spirit merchants, of 35, Bernard Street, Leith?—Yes.

8216. Your firm has been in existence for about a century?—Yes.

8217. You are engaged entirely in the wine and spirit trade?—We are now. Formerly we did a certain amount of blending of teas.

8218. Your business is chiefly confined to England and Scotland?—Yes.

8219. You also export abroad to clubs, and regimental messes. Is that all over the world?—Yes; wherever the various regimental messes are we send to them.

8220. And you export also to private individuals?—Yes.

8221. You export to them only whiskey of the best class?—Yes.

8222. Do you export to them proprietary brands, or all your own?—All our own.

8223. Your experience dates back to 1885?—Yes.

8224. At present you are representing the Edinburgh and Leith Wholesale Wine and Spirit Dealers' Association?—Yes.

8225. Which has a capital of £4,000,000?—We compute it at that, roughly.

8226. Your firm has records of purchases and sales since 1830, I understand?—Yes.

8227. From consulting those documents, do you find much difference in the trade in that time in what you bought and sold? I suppose there would not be as much whiskey sold in those days as now?—No; it was quite trifling in those days.

8228. Would it be made up in brandy?—Our trade was more in wines in those days.

8229. Is Leith a great place for importing wine and also for brandy?—No; I should not think Leith was more particularly famous for brandy than any other port.

8230. Not in those old days, but in these days?—Possibly so.

8230A. You find in the invoices that both malt and grain are invoiced as *aqua*, or *aqua vitæ*?—Yes, in the early days— in 1832, 1833, or 1834.

8231. Was the word "Whiskey" absent?—No, not entirely absent. I find a certain invoice in the year 1831 of what from the price one judges to be grain whiskey made in those days which is called by the curious term—"Common Whiskey." I have that invoice here. That was in the early days. That is the only printed form that I could find with the word whiskey upon it. (*The same was handed to the Commission.*)

8232. That was a grain whiskey. Of course, that was made in a pot still then?—Yes, naturally in those days.

8233. How did they distinguish the other whiskies in those days?—I have five or six invoices here: they are all 1830, and they are invoiced as grain *aqua*, or malt *aqua*.

8234. That is the distinctive designation?—Yes.

8235. (*Chairman.*) Will you show me one of grain and one of malt?—Yes, my lord. (*The same were handed to his lordship.*)

8236. (*Mr. J. Y. Buchanan.*) After 1846, the date of the introduction of the patent still, did the malt distillers describe their manufacture as *aqua*?—Yes; curiously they still seemed to retain the word "*aqua*."

8237. And the grain distillers took the word whiskey?—Yes.

8238. Is that quite general amongst your records?—Yes, quite so.

8239. So that the malt distillers put no great stock on the name of whiskey?—Apparently not.

8240. What is your definition of Scotch whiskey?—Scotch whiskey is a spirit distilled in Scotland from cereals in which a mash has been converted by a proportion of malt.

8241. Would you put a minimum limit to the amount of malt?—In the mash?

8242. Yes?—At present I am credibly informed that the proportion of malt used in the manufacture of Scotch whiskey in Scotland is 25 to 30 per cent., and the result of that is very satisfactory; and, therefore, I presume personally that it is probably the proper quantity to be used.

8243. Of course, you are not a distiller?—That is so, but I could quite understand from the point of view of common sense that a certain proportion of malt must be used to thoroughly convert the mash.

8244. And it must be barley malt?—I understand so.

8245. Your view is, and you support the view, that Scotch whiskey should be made from cereals, and with a proportion of malt of not less than 25 per cent.?—If my information of 25 per cent. is right, I should say not less than 25 per cent.

8246. You do not claim to know anything of the medicinal properties?—No, nothing whatever.

8247. What is your experience as to the different consumers in towns and the country? Will you shortly tell us that?—I think there is no doubt that the consumer in town prefers a lighter spirit than the natives of the Highlands of Scotland, and that the consumer in town probably prefers a lighter spirit than dwellers in the country.

8248. Is there any marked difference between the towns that you supply?—No; I would not go the length of saying that there is a marked difference as regards towns. There are certain styles of whiskey which seem to suit certain districts better. Probably owing to the difference of the water certain whiskies drink better in one place than another, in the same way that certain teas are better in one part of the country than in another.

8249. Is it your experience that in the North of England they are taking a lighter whiskey?—I am glad to say that I do not do very much trade in the North of England.

8250. What is your objection to the North of England?—I hear from my competitors in trade that there is very little profit to be made there.

8251. (*Chairman.*) Is it less than you make in Scotland?—I believe so.

8252. How do you account for that?—As I say, I do not do very much business in the North of England, but I understand there is very severe cutting of prices there.

8253. (*Mr. J. Y. Buchanan.*) Were you asked for pure malt whiskey after the Islington case?—Yes, we were in some instances.

8254. And you supplied it?—Yes.

8255. With what effect?—It was not appreciated.

8256. Was it sent back?—No. We are not very large dealers in that way, and the small quantity that we were asked for we usually corrected by sending a proportion of grain whiskey to re-blend, or re-mix. I do not think we had any instance of it being actually returned.

8257. You think that people do not like the all-malt whiskey because they find it too rich?—Yes.

8258. But that for sedentary people the grain whiskey is more suitable, or, at any rate, that a larger proportion of it is more suitable?—Certainly.

8259. Your main endeavour is to supply the market with what it wants?—Naturally.

8260. What is your view about stating the constituents of a blend on the bottle?—I object to that. I object to the various proportions that the blend contains being stated on the label.

8261. You do not object to it being stated to be a blend?—No, I do not object to it being stated to be a blend.

8262. Would you object to a qualitative statement, that is to say, a blend of grain and malt—I mean without the quantities?—I would call it a blend of Scotch whiskies, or blended Scotch whiskies.

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8263. That would cover either only malt whiskies or all grain, or the two together?—Yes.

8264. In point of fact, it would convey really no information to the purchaser?—It would be no definite information to the purchaser, but it would inform him that it was not a self whiskey.

8265. It would not go far?—No.

8266. I suppose the difficulty in getting any information from a statement as to the nature of the blend is that the whiskies so blended are not the same one year as another?—They do vary slightly from one year to another.

8267. And it really would give the person no very great information if he were told that it was so much malt and so much grain?—No.

8268. Because it might be a strong malt or a weak one?—Quite so; or a young malt, or an old one.

8269. Of course, that is a different kind of difference. What is your view about a standard being established under which a blend containing a given proportion of malt and grain should be entitled to be called whiskey?—Do you mean a standard of manufactured spirits blended, or a standard in the mash?

8270. What do you mean exactly in your *précis* when you say: "I object to a standard being established"?—I mean that I object to a standard being established that given proportions of malt and grain whiskies be used in a blend.

8271. You find a difference in the blends that suit different parts of the country?—Yes.

8272. What is your view about a compulsory time limit?—Speaking for the Association I represent, and speaking also on my own behalf, I should hail with satisfaction a regulation being passed.

8273. What do you think would be a fair time limit?—I should think about three years probably.

8274. Do you mean that that should be compulsory?—Yes.

8275. (*Dr. Adeney.*) I gather from your *précis* that your customers are amongst what we may term the better classes, or the richer classes?—Yes.

8276. Have you any experience of Irish whiskies?—Yes, a limited experience.

8277. You know both the patent and the pot Irish whiskies?—Yes, I have seen both.

8278. Do you sell Irish pot still whiskey as a self whiskey?—Not pure.

8279. You sell it blended?—Yes.

8280. Do you blend it?—We buy the blend in Ireland.

8281. And you sell that?—Yes.

8282. Do you blend any Scotch whiskies yourselves?—Yes, a considerable quantity we blend ourselves.

8283. Do you blend individual malt whiskies with grain spirit?—At one time we did.

8284. Do you do so now?—Do you mean one single malt whiskey with grain whiskey?

8285. Yes?—Not unless it is for a special purpose.

8286. It is not usual?—No.

8287. Do you usually blend Highland and Lowland malts?—We blend Highland, Lowland, Campbeltown and Islay.

8288. The object of my question is that we have been told that the Highland is so highly flavoured, and the Lowland is so lowly flavoured—if I may so term it—that there is no comparison between the two. I was anxious to find out if that comes in practically in your blending trade?—Undoubtedly it does.

8289. In a given blend you always use both, and I would be glad if you would make it clear to my mind how it does come in?—What do you wish me to speak to now?

8290. On this question of a limit of malt in a blend to say 50 per cent., which was what one witness suggested yesterday, an objection has been taken by another witness against that because malts differ so much in their flavouring power. If you used 50 per cent. of a Highland malt you might get too highly flavoured a blend, and if you used 50 per cent. of a Lowland malt you might get too weak a flavour for a blend?—Yes.

8291. Is that a practical objection?—A practical objection to what?

8292. A practical objection to a legal limit to the minimum quantity of malt in a blend to be called Scotch whiskey?—I think in itself it certainly is. Do you mean in order that the blend should be called Scotch whiskey?

8293. Yes?—I think it is a matter of fact; if the blend was all grain whiskey it would be Scotch whiskey, or if it was all malt whiskey it would be Scotch whiskey, if made in Scotland.

8294. If any of your customers outside Scotland asked you for Scotch whiskey what would you send them—would you send them Scotch grain whiskey?—We would send them blended whiskey, because we understand commercially when whiskey is asked for it is understood to be blended whiskey.

8295. Then you want some other designation for the word Scotch patent still whiskey?—If we are asked for Scotch grain whiskey we would supply Scotch grain whiskey.

8296. If you are asked for Scotch whiskey you would supply a blend?—Certainly.

8297. And you would not supply a patent still whiskey unless you were asked for Scotch grain whiskey?—No.

8298. Would you mind telling us the minimum proportion of malt that you sell in your blend? Do not answer the question if you do not want to?—I should say that the lowest quantity that we use is somewhere about 12½ to 13 per cent. of malt.

8299. (*Dr. G. S. Buchanan.*) Does that include some that you supply to the clubs and regimental messes that you have told us about?—No.

8300. You would not regard that as your high quality?—No.

8301. One of your objections to a limit, such as Dr Adeney has been asking you about of 50 per cent. of malt in blended whiskey, is that the style of whiskey suitable for one country or climate is totally unsuitable for another, is it not?—Yes.

8302. What is agreeable and palatable in the Highlands of Scotland does not please the taste of a dweller in London?—That is so.

8303. You say here that this is borne out in the case of other liquors such as beer, and it is well known that the lighter forms of lager beers are more popular in certain districts and at certain seasons of the year than the more heavy English beers?—Yes.

8304. Would you advocate that there should be no distinction made by the seller between lager beer and ordinary beer?—No, I would not.

8305. (*Chairman.*) I want to ask you as to this word "common whiskey" in this invoice. How do you translate that word?—I have asked several experts, several people of experience, and it seems to puzzle every one of them. It has been suggested to me that the term there means commercial whiskey, whiskey made for sale. As I understand the term, "common brewer" means a brewer who brews for sale. Then they tell me that it possibly means a general type of whiskey.

8306. Common whiskey is a type of low grain whiskey?—Yes.

8307. (*Mr. Guillemard.*) I see you say that you would not object to a regulation being passed making it compulsory to retain all spirits in bond for a period of two years provided that sufficient notice was given to the trade so that their stocks might be regulated. Might I ask what sort of stock your own firm holds?—Do you mean the quantity?

8308. Yes. I mean how long do you calculate that your stock in hand would last you?—We always have a sufficient stock in hand, and we are always replenishing it as required. We understand that we have a sufficient stock for ordinary requirements.

8309. If you did not put any more into your stock, how long would your present stock last you?—We probably would not have more than two years' stock in hand.

8310. It would mean that putting on the condition that you had to hold two years' stock would not affect you?—No, but one would have to provide more warehouse accommodation.

8311. A firm who did not hold as large a stock as two years' stocks might take a different view, and might object to the two years' limit?—Yes, they might possibly.

8312. (*Dr. Cushny.*) You say that one of your blends has 12½ to 13 per cent. of malt in it?—Yes.

8313. But it is not so good a blend as that with 50 per cent. of malt that you supply to the messes?—I would not agree to that, because a blend containing 50 per cent. of malt might contain 50 per cent. of split new malt, which would be an unpalatable and unwholesome blend.

8314. What would you say if there was a two years' limit?—If you had a two years' limit that is another matter.

8315. You would object to dividing blends into two kinds, calling them all Scotch whiskey, but calling one Scotch whiskey blended with malt, say, above 50 per cent. of malt? Would you object to that?—Yes, I would, because I think it is contrary to the fact. It is splitting hairs. As all whiskey made in Scotland is Scotch whiskey, why should you differentiate in your blend?

8316. That is differentiating Scotch blended whiskey?—It is a style of whiskey.

8317. So is your blend.

8318. (*Dr. Adeney.*) Is it not very much dearer?—It depends on the age entirely.

8319. Age for age?—Yes, age for age it is dearer.

8320. (*Dr. Cushny.*) Do you not think it would be a great comfort to the consumer if he has a blend that is a fairly strong malt? You might give him 12½ per cent. of malt, or you might give him 90 per cent. of malt under the same designation?—No, I do not think it would be any comfort to the consumer. I think it might be a comfort to the consumer if he knew he was getting a thoroughly matured whiskey.

8321. But then he does not know?—No, he does not know, but putting it on the label that it contains a certain percentage of malt and grain would not inform him that it was matured.

8322. But still it would add to his comfort?—Yes.

The witness withdrew.

Mr. Richard Francis Nicholson, called.

8323. (*Dr. Horace T. Brown.*) You are, I believe, one of the managing directors of J. and W. Nicholson and Co., Limited, Distillers and Rectifiers, of Three Mills, Bromley, E., and St. John Street, Clerkenwell?—Yes.

8324. You are here, I believe, on the invitation of the Royal Commission to give evidence?—That is so.

8325. Do you consider that the materials used in the manufacture of whiskey ought to be under any restriction?—I think it would be a good thing.

8326. Do you think that the processes themselves ought to be restricted in any way?—No, not the processes of manufacture

8327. What restrictions would you place on the materials to be used in the manufacture of whiskey?—I suggest that whiskey should be made solely from corn.

8328. From corn of any kind?—Yes, of any kind.

8329. You mean by corn, cereals or anything else?—I should leave out rice, which I suppose is a cereal, and yet you would hardly call rice corn.

8330. You would not include rice in your permissible materials?—No.

8331. Will you give us any good reason why you should exclude rice?—Rice has a very coarse flavour of its own, and as far as I know it has not been the practice to use it for whiskey.

8332. Does it give a distinctive flavour to the spirit—a decided flavour?—A decided flavour.

8333. A flavour which would render it inapplicable to whiskey?—Not suitable.

8334. You do not mean that it would be necessarily deleterious?—No.

8335. Would you include all the ordinary cereals amongst your materials?—Yes; barley, rye, oats, wheat and maize.

8336. In what way would you restrict the conversion of the mash?—I say made wholly from corn, and so the conversion should be carried through with malt, either malted barley, malted rye, or some form of malt—a germinated corn.

8337. That they should be the saccharifiers?—Yes.

8338. Would you limit in any way the amount of malt to be used in the mash?—No, certainly not, because at present we have no definition whatever of malt. The malt used by some of these Scotch distillers is very different from the malt we use ourselves in London. I fancy we carry our malting process to a much greater extent than they do. In Scotland you will find the malt has much more of the character that it had when the malting process was under the control and restriction of the Excise. At that time the malt was Excise malt, and was virtually a uniform article; but now, owing to the increased knowledge on the subject of malt, and especially from information received from abroad where the matter has been very much studied, especially during the last ten years, there has been a vast advance in the knowledge of malt.

8339. Do you think that the advance in knowledge has come from Germany?—No, I hope not.

8340. I understand you would not put any restriction on the quantity of malt to be used?—No, because in the first place we have no restriction of quality.

8341. You would mean this, I suppose, that if you had malt with a considerable amount of converting power you would use less of it in order to give effect in the mash tub?—Yes.

8342. And therefore you do not see why you should be called upon to use a larger amount than is necessary to produce the conversion?—Yes.

8343. Is that the argument?—Yes.

8344. So that you consider the malt used in the manufacture of whiskey is mainly for producing saccharification?—Principally.

8345. Do you think it improves in any way the flavour of the whiskey?—To a certain extent it would, but the flavour of whiskey, I take it, is formed in three ways—in one way, by the material used; the second way is by the form and condition of fermentation; and thirdly, by the way in which the spirit is separated from the wash in the various kinds of stills.

8346. You regard the influence of the malt in the mash as subsidiary?—Yes; that is only one of many reasons.

8347. That is as regards the actual flavour given by the malt itself?—Yes.

8348. You would not like to be under any restriction with regard to quantity?—I think it would be unwise.

8349. You know that we have had many suggestions from Scotland with regard to limiting it or fixing a minimum of 25 to 30 per cent. of malt. Would you object to that?—Yes, and that particular quantity is generally recommended by the distillers who make yeast. They use an additional amount of malt, not for the sake of the whiskey, but to increase their produce of yeast.

8350. You know cases where very much smaller quantities of malt are used than 25 to 30 per cent.?—Yes, and you will find it stated in previous Commissions.

8351. You know that the product in such cases is whiskey?—Yes.

8352. A patent still product of course?—A Coffey still product.

8353. You consider that the processes of distillation should not be in any way interfered with?—

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No. I think the more we can learn about the different processes, and the more we can experiment, the better it will be for the public and the trade.

8354. Would you necessarily confine the production of whiskey to a mash converted by malt?—Yes, I think so. I think that is the proper way to do it.

8355. You would not include, for instance, the conversion by acid?—No.

8356. Nor by the so-called amylo process?—No.

8357. You would not consider that a whiskey?—No.

8358. Are you makers of whiskey yourselves?—No, we are makers of spirit.

8359. You do not make whiskey?—No.

8360. You are also of the opinion that no declarations should be required? You say in your *précis* that no declarations should be required, as they could only be enforced in respect of spirits in bond, and control would be lost on payment of duty, especially in the case of bulk. Would you kindly say exactly what that means and to what those declarations refer?—Declarations of what the blend consists of. As long as the whiskey is in bond of course the constituent parts are known, and if a label is attached to what is bottled in bond undoubtedly it would be correct; but you cannot mark the whiskey in the case of bulk; you can only mark the cask, and the consumer does not see the cask. The duty would be paid upon that cask, and it would go through various hands, and during that time very likely it would be blended again, or reduced, or altered, or changed, and the identity of the contents of that cask would be absolutely lost.

8361. That does not apply necessarily to goods bottled in bond for instance?—No, it does not apply to goods bottled in bond where the actual package with the certificate reaches the consumer.

8362. You are speaking more especially of whiskey sold over the counter?—Yes, and of whiskies that are bottled duty paid.

8363. What is your opinion with regard to compulsory bonding?—That it is quite unnecessary.

8364. Unnecessary in what way?—Because I take it that the average age of all whiskey that goes into consumption, owing to the large supply there is of old whiskey at the present time, cannot be less than 2½ years, and is probably over 3 years' average age.

8365. Then you think it desirable that whiskies should have age before they are consumed?—That is a question of degree entirely. The heavier whiskey, which has the larger proportion of bye-products, ought to have a great deal of age. As the degree of impurity is reduced, so the necessity for age diminishes. In the case of grain whiskey, shall we say a very plain grain whiskey having few of these deleterious bye-products, the ageing process is finished at an early date.

8366. Would you think it, then, an unfair thing to impose a minimum bonding period for all whiskies alike?—I do not think it would do any good, and I do not see how you could impose a minimum bonding period for one class of spirits only. Take the case of gin. There is no need for ageing the spirit that gin is made of, because the spirit goes to a rectifier, and the impurities are taken out by means of distillation. If spirit was allowed out of bond in one case I do not see how it would work to enforce it for another denomination of spirit.

8367. You think it would be impracticable to draw a line between rectified and non-rectified spirit?—Rectification is not carried out in bond.

8368. You think the present plan of supply and demand meets everything necessary with regard to the ageing of spirits?—I think the supply and demand does meet it, and that the public are satisfied is, I think, pretty well evidenced by their continued patronage.

8369. You wish to make some remarks about British and foreign spirits as regards their treatment. I suppose you mean their treatment in bond?—Yes. At present British and foreign spirits for home consumption may not be blended, and I think that is quite right. I think they ought to be treated on the same footing, and I should certainly suggest in the case of export that it should be forbidden to blend them as well, principally for the reputation of this country in foreign markets.

8370. But that is not receiving the same treatment as they do at present?—I wrote this in a great hurry in reference to home consumption. The foreign point has only just turned up.

8371. You would advocate that it should now be impossible to mix British and foreign spirits in bond even if they are to be exported?—Yes, although I believe it never is done.

8372. It is giving rise to difficulties, I understand?—Yes.

8373. Then you have certain suggestions to make with regard to the carrying out of certain restrictions. You state that in your opinion the Excise should return to the old system of different colours for their permits. Will you briefly describe to the Commission what that means?—Some years ago British spirits and foreign spirits were distinguished by different coloured permits, and in bond or elsewhere they were not allowed to be mixed. They were kept separate right the way through, and I suggest that the Excise should adopt one colour for British spirits made from corn, and, secondly, another colour for British spirits made wholly or partially from materials other than corn; and, thirdly, another colour for foreign spirits, and that in no case should it be permissible to mix spirits of a different denomination by means of a blend in bond.

8374. There would be no control out of bond for anything of that sort?—Only under penalty.

8375. It would be very difficult to follow, would it not?—No, because I think that as regards British spirits wholly or partially made from materials other than corn the very large proportion goes simply for methylation, and is under the control of the Excise the whole time; but I have heard that duty has been paid on some of that spirit, but where it has gone to I cannot say.

8376. That is to say, on spirits made from other materials than corn?—Yes, on spirits made from other materials than corn.

8377. Molasses, and so on?—Yes. Our firm have never sold for duty-paid use, for consumption, molasses spirit, although we are large makers of molasses spirit for methylation only.

8378. But you have reason to think that those spirits occasionally get into consumption?—I have heard of one case.

8379. Do you know where they go?—No. It was simply by hearsay—it was not to my own knowledge; but if it was, I look upon it as a case of unfair competition, and inadvisable in the interests of the public.

8380. What is the nature of those spirits generally?—Unstable.

8381. Are they unwholesome necessarily?—They are unstable because, owing to the more or less impure material they are made from, they are liable to change owing to decomposition. They oxidise very freely, and they are always changing.

8382. Do you know anything about the composition of those spirits, as to the amount of so-called impurities that they contain, and the sort of co-efficient they would have?—No, I cannot say that, because very many of those impurities, unfortunately, chemical science has not yet mastered. There are several peculiar features about that class of spirit which, as far as I can make out, no chemist in this country or elsewhere, can explain to us.

8383. (*Chairman.*) Would it be convenient to you to attend here next Monday week?—Yes.

(*Chairman.*) Then we will adjourn now.

8384. (*Dr. Horace T. Brown.*) If you will then give us some further information on this point we shall be glad?—Certainly I will.

The witness withdrew.

(Adjourned to Monday, May 18th, at 12 o'clock.)

SIXTEENTH DAY,

Monday, 18th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

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Mr. RICHARD FRANCIS NICHOLSON, recalled.

8385. (*Dr. Horace T. Brown.*) When we adjourned last time you promised to give us some more information about British spirits made from molasses. How would you describe in general terms the nature of such spirits as compared with the grain spirit made by the same process of distillation in the patent still?—I should describe it as a coarse common class of spirit if it is made from molasses. Molasses are merely the refuse of the refineries. The molasses themselves are full of all sorts of impurities, chemical and otherwise, and the distiller is uncertain of the material that he is using for fermentation. The consequence is that the spirit is coarse and unstable and liable to oxidise, and so on, and is unfit for consumption.

8386. You would consider that such a spirit was unfit for consumption either alone or blended with grain or malt spirit?—Totally.

8387. You also stated that the larger proportion of the molasses spirit goes for methylation, and, therefore, pays no duty, but that to your knowledge duty has been paid on such spirits?—I said that I had been told so, but I have never come across a case myself.

8388. You cannot state within your own knowledge whether it is used for potable purposes or not?—I have no knowledge of my own.

8389. You have told us that you are makers of grain spirit. Is this grain spirit made from the same materials and on much the same lines as the grain spirit manufactured in Scotland and Ireland?—On very similar lines, and to all intents and purposes from the same class of materials.

8390. Does the spirit itself differ in any respect from the Scotch or Irish grain spirit?—The spirits are almost interchangeable. We know that British spirit goes to Scotland for blending purposes, and till within the last two or three years it went in large quantities, and also that Scotch spirit went to Ireland, and Irish spirit went to Scotland for the same purpose. At the present moment both Scotch and Irish spirit is coming into London, and is being used in place of London grain spirit, so I look upon it as being very similar.

8391. Very similar in general qualities?—Yes.

8392. We have been told that in Scotland such grain spirit has for a long time been recognised as whiskey, even when sold unblended with malt. Do you consider that a spirit made on the same lines in England is equally entitled to the term "whiskey"?—Quite so.

8393. Then you would consider that you are makers of whiskey?—A Scotchman or an Irishman coming into our distillery and seeing the manufacture and tasting the product I think would decidedly pronounce it to be grain whiskey.

8394. You are, I believe, large blenders of Scotch and Irish whiskey?—We are.

8395. These blends, I suppose, contain a certain proportion of grain spirit?—Some of them do.

8396. Do you mind telling us what is the origin of the grain spirit used in these blends?—Corn.

8397. Is it English spirit or is it Scotch or Irish spirit?—No, spirit.

8398. English?—Yes.

8399. (*Chairman.*) What you are now using?—Yes.

8400. (*Dr. Horace T. Brown.*) Under what denomination or designation do you sell these blends?—We sell them as blended whiskies.

8401. Do you sell them as blended Scotch and Irish whiskies?—If it is blended with Scotch whiskey it is blended Scotch whiskey, and if it is blended with Irish whiskey it is blended Irish whiskey—blend meaning mixed.

8402. There is nothing to indicate either on the invoice or label that the whiskey is blended with an English grain spirit?—We do not put any indication on the label.

8403. Or on the invoice?—No.

8404. (*Chairman.*) Not even the word "blended"?—Yes, we sell it as "blended."

8405. But you do not put the particulars?—No, my lord.

8406. (*Dr. Horace T. Brown.*) Then I may take it that in your opinion blended Scotch or blended Irish whiskey does not necessarily mean that all the components of the blend have been manufactured in Scotland or Ireland, as the case may be?—No, I do not think so, and certainly that was the view of the Committee of 1891.

8407. Do you found your practice on the findings of the Select Committee of 1891?—That is so.

8408. Perhaps you will kindly refer us to the passage you rely upon?—At page 7, section 5, of the Report, you will find one point: "The addition of patent still spirit, even when it contains a very small amount of bye-products, may be viewed rather as dilution than as adulteration, and, as in the case of the addition of water, is a legal act." The other reference I should call attention to is on page 5, section 3, in which the Committee state they do not attempt to give a legal definition of whiskey, but they refer to the evidence of Dr. Pavy, and then make some statements of their own.

8409. According to that it might be considered whiskey, but the question is whether it could be designated as Scotch or Irish whiskey with accuracy?—I claim it can be stated as blended Scotch or blended Irish.

8410. Would you consider it hurtful if you had to declare on your invoices and labels that such blends contained English grain spirit?—Our trade is almost entirely confined to bulk, so it would be merely on the invoice. We do very little bottling indeed.

8411. Should you object to some indication of the fact being placed in a conspicuous position in any public-house supplied by yourselves, that the grain spirit was of English origin?—Certainly not; no objection whatever.

8412. I gather from your *précis* that you are opposed to any alteration in the present regulations regarding British and foreign spirits, and I think a question was asked you last time about that. I see you are of opinion that the present regulations with regard to blending British and foreign spirits in bond should be

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discontinued, and it should not be legal to do that?—I am of opinion that British and foreign spirits should not be blended in bond.

8413. Although the present regulations allow it?—They only allow it for export.

8414. Will you give us your reasons for that opinion? Why should they not be blended in bond?—Principally for the reputation of British spirits abroad.

8415. It has given rise, has it not, to difficulties with regard to the export trade, especially in the United States where they have objected?—I believe it has there.

8416. (*Chairman.*) Why does it take away from the reputation?—Because any spirit derived from any origin could then be blended with a British spirit and exported.

8417. (*Dr. Horace T. Brown.*) But do not the United States authorities object to it very strongly on the principle of not admitting any article into the United States which cannot be legally sold in the country of origin?—I believe that is correct.

8418. You have made certain suggestions with regard to different coloured permits. Will you kindly explain a little more in detail exactly what you would propose to do in such matters?—I should like to see a definition of whiskey to this effect: "Whiskey is made from corn"; or if I may put it in regular form: "In these islands whiskey is a spirit manufactured solely from corn, with an aroma and taste peculiar to itself, accentuated to a greater or less degree."

8419. It would be rather difficult, would it not, to define exactly what those properties of taste and odour are?—A great many people have tried and never succeeded.

8420. But it was more with regard to the system of permits that I wished to ask you?—It is with that idea of a definition of whiskey and to ensure better control that I suggested that all British spirits made solely from corn should have a coloured permit of their own; that another coloured permit would be issued with all British spirits made from materials other than corn; and thirdly, that all foreign spirits should come under a different coloured permit.

8421. You would have three distinct denominations?—Yes.

8422. (*Dr. G. S. Buchanan.*) At your distillery you make only one kind of grain spirit, do you not?—At present.

8423. Has it been otherwise in the past?—Yes, certainly, we have made different sorts.

8424. One spirit for blending and another kind of spirit for rectification?—No—simply trying various kinds of corn.

8425. At any given time a particular grain spirit could be utilised either for rectification or for blending, as the case might be, as you required it?—Yes, that is so.

8426. Then with regard to the materials used, I gather from what you told us last time that you do not have any minimum quantity of malt except that which is necessary to secure a satisfactory conversion?—That is so.

8427. The malt which you use is manufactured with the object of securing the highest converting power?—Manufactured specially for the purpose in the most approved fashion.

8428. Some of the maize which you use comes from South America, does it not?—It comes from all over the world.

8429. In Scotland in some of the Scotch grain distilleries we were told it was the custom for the distiller to buy South American maize and pay for it in advance and receive a ship-load which he had to take. Is that the ordinary experience?—With us, no. People give us credit, and there is another thing, too, we buy on a sample, and if the ship-load does not come up to sample the load is refused.

8430. You are in a position to do that?—Absolutely. It is done first of all by the corn broker, and, secondly, if he did not detect any poor corn we should.

8431. Comparing your grain spirit with the Scotch and Irish grain spirit, can you say anything about the bye-products chemically of the one or the other? Have you had analyses made at any time of your spirits and compared them with Scotch and Irish spirit?—No, I do not think we have.

8432. Are they comparable at all in the matter of price? Can you give any comparison?—We get a better price. We frequently find ourselves undersold by the Scotch and by the Irish even in London.

8433. At the present time you tell us that Scotch and Irish grain spirit is coming into England, and formerly that English grain spirit went into Scotland and Ireland?—Yes.

8434. Do you anticipate that the conditions may be reversed again in the future?—Generally, if spirit has been sent to Scotland it has been done to prevent the Scotchman dumping spirit in England—in the spirit of retaliation.

8435. With regard to foreign spirits, are there imported any foreign spirits which resemble grain spirit in their general characteristics?—Sometimes foreign grain spirits are imported, but that is only a small proportion of what comes.

8436. Are there any foreign grain spirits imported which you consider might suitably be utilised for blending with whiskey?—I have not sufficient knowledge of the foreign grain spirits.

8437. You told us that you would prohibit the mixing of foreign spirits with British whiskey in bond. But supposing you had some suitable grain spirit from foreign sources comparable to what you produce, or the Scotch and Irish produce, would you object to that?—Personally I should distinctly.

8438. Do you think that mixing foreign spirits with British spirits out of bond ought to be prohibited also?—I think so.

8439. For the same reason that you gave us before, for the better reputation of the spirit?—Yes, and you would be dealing with a foreign spirit the history of which you knew nothing about.

8440. That would mean some means of control which does not at present exist, would it not?—That would be controlled by the Excise.

8441. But mixing out of bond for the home market?—I think it might be prohibited.

8442. You told us on the last occasion that British and foreign spirits were kept separate and in bond or elsewhere, and they were not allowed to be mixed. Are those words "or elsewhere" correct? Was there any prohibition further than mixing in bond?—In old days in rectifiers' stocks which were duty paid, British and foreign spirits were kept separate.

8443. And that was supervised by the Excise?—Yes.

8444. Would you claim that your grain spirit as a potable liquor improves with age?—It certainly does.

8445. You would class it with the Irish and Scotch patent still products in that respect?—Yes, but we class it rather ahead of them.

8446. You mean in rapidity of ageing?—No—in purity of substance.

8447. In the result of the ageing?—Yes, and in the result of the manufacture.

8448. You told us that you thought compulsory ageing was unnecessary because at the present time the average age of all whiskey that goes into consumption cannot be less than two and a half years, but, of course, it is no consolation to the consumer who gets a brand new spirit that the average age is two and a half years if you take spirit all over the country. There is whiskey, is there not, which contains new grain spirit to a considerable extent?—We have no knowledge of it ourselves. We do not deal in it.

8449. You do not send it out?—No, we have nothing to do with it.

8450. May we take it that you give the two and a half years' limit to the whiskey, whatever blend it is?—Quite so; before it goes into consumption.

8451. In talking about control you told us that it would be difficult to control a two years' bonding period because the new spirit would be required in order to go to the rectifier, and the rectifier of course could use new duty-paid spirit?—Yes.

8452. Would it be actually very difficult to check a new spirit that went out from a distillery like yours only wanted for rectification?—I think it would be difficult.

8453. Take your own case for example. Do you send out new grain whiskey for any other purposes than rectifying?—We sell to chemists and to other rectifiers. Those are the only customers we supply.

8454. But the chemist would not use that spirit direct? He would use it for rectifying, would he not? I am speaking of your new grain?—Chemists buy a great deal of plain low-grade spirit and use it as a solvent.

8455. In your own rectifying premises there would be no actual difficulty in keeping apart the new spirit solely for rectifying purposes?—I do not understand the question.

8456. You rectify your new grain spirit on your Clerkenwell premises?—Yes.

8457. Would you have any difficulty there in keeping the new spirit on one side and using it solely for rectifying purposes?—No, we should have no difficulty.

8458. Do you send out your grain spirit as such at the present time to customers such as wine merchants or blenders?—Very seldom indeed.

8459. Or publicans?—No, never to publicans.

8460. Your firm in some cases supplies publicans in London with all their spirits, does it not?—With the great bulk of their spirits.

8461. Do you make any stipulation in those cases against their mixing the spirits together for any purpose?—No, because we could not control them.

8462. The publican, as far as you are concerned, can do as he likes with the spirit once you have supplied it?—Yes.

8463. Or describe it as he likes?—Exactly.

8464. You do not put any direct or indirect pressure on him on those matters?—No, none whatever.

8465. Then with regard to the whiskey, would the publicans receive from you what has been blended in bond at your Bromley distillery?—At the duty free warehouse—yes.

8466. They would get it direct?—Yes.

8467. They receive Scotch and Irish whiskey, I suppose, of more than one quality?—Several qualities.

8468. May I take it that, broadly, the amount of pot still product in the Scotch whiskey or in the Irish whiskey varies according to the price?—Yes, that is partly true, but not entirely so.

8469. Price and age no doubt. Would there be other considerations?—Yes, there would be the various classes of Scotch and Irish whiskey. They vary in price.

8470. But taking it broadly would the high priced Irish whiskey or the high priced Scotch whiskey contain more of the pot still product?—No, they certainly would not. I am thinking of various cases at the present moment when the highest classes would contain more grain than they do malt.

8471. Blends such as you have been speaking of would be sold by the publican to the public as Scotch and Irish whiskey, would they not?—I assume so.

8472. Without any qualification at all?—No. "Blended" is a technical term, and "Blended," as a rule, I do not think reaches the public. It is an Excise term.

8473. And the publican sells the whiskey supplied by your firm and considers that as Scotch whiskey, without thinking there is any special qualification necessary with regard to the word "Blended" or otherwise?—I think so. They regard it as a class of Scotch whiskey.

8474. I think Dr. Harris told us in his evidence that it was customary, for instance, with your "N. S. S." whiskey, and that associated with the "N. S. S." whiskey was an advertisement which used the words "Special Scotch Whiskey"?—Never. "N. S. S." was used simply to encourage the curiosity of the public, and we never supplied a translation. We received an immense number of letters supplying us with various translations, but we never gave one ourselves.

8475. It is merely a trade mark or a trade description?—It is the mark of a proprietary article.

8476. (*Dr. Horace T. Brown.*) Is it a registered mark?—I think it is registered; I am not absolutely sure, but I think so. The label must be registered; all our labels are registered.

8477. (*Dr. G. S. Buchanan.*) A photograph was sent to the Commission, in illustration of that contention, of an ornamental advertisement fixed outside a public-house where the letters "N. S. S." appear in the centre, and "Nicholson's Old Scotch Whiskey" appear round the margin?—That is the publican's matter entirely. We did not put them there. I should like to see that photograph. (*Photograph handed to the witness.*)

8478. I put that question because Dr. Harris was asked by the Commission whether he could substantiate what he said, and that photograph was sent in to the Commission?—That is the publican's matter; he put it up on his own responsibility.

8479. I do not want to lay too much stress upon it?—No, but I want to explain it.

8480. Could you tell me with regard to the mixing of Scotch and Irish pot still whiskey with grain whiskey, whether you could keep to some limit after which you are not entitled to use the words Scotch or Irish? For example, if you get down to 10 per cent. of pot still Irish whiskey, and the rest is grain whiskey, whether from England, Scotland, or Ireland, do you think that that entitles the product to the distinctive term "Irish whiskey"?—No, but it entitles it to the term "Blended Irish Whiskey."

8481. You would still allow it to be called "Blended"?—Yes.

8482. Then you attach considerable importance to the word "Blended"?—Well, I think it is a statement of fact.

8483. You told us that in the case of whiskey you supply all your customers direct from bond, did you not?—No. You asked me whether they received it from there. Some of it goes direct from bond, but the bulk of it would go to the rectifying houses and is distributed in smaller quantities from there, and very likely reduced from the natural strength of the whiskey to the strength ordered by the publican.

8484. And it may be further blended?—No, not as a rule.

8485. That is not your ordinary custom?—No.

8486. Does the same thing hold in the case of brandy?—We are not blending brandy in bond at present at all.

8487. You supply brandy, do you not?—We do.

8488. Would that go direct from bond as received from abroad to your customers?—In certain cases. Very likely if it was going in the country it would go under bond to the larger customers; to the smaller men it would go to a rectifying house and be distributed from there.

8489. Might it not be blended there with grain spirit?—No, we never do.

8490. You are aware of the fact that at all events two or three years ago, if not more, a good deal of brandy was mixed with spirit other than the juice of the grape?—I do not think it was ever done by the trader—not by the rectifiers or dealers. I do not think so.

8491. Who do you think did it?—The publicans, if it was done.

8492. Does that mean that the publicans themselves bought grain spirit?—They probably bought two or three grades of brandy and blended it.

8493. Could you tell us in your own experience what the cheapest brandy that a London publican would sell is made of?—I cannot tell you what the cheapest is.

8494. (*Mr. J. Y. Buchanan.*) If English grain spirit can be made a constituent of blended Scotch or Irish whiskey, would there be any objection in so far as regards the goodness of the article to the use of foreign grain spirit for the same purpose?—I have no knowledge of foreign grain spirit. I have never used it.

8495. But supposing it is made, as they probably can make it, as good as it is made in this country, would you have any objection to it?—In using it for whiskey, do you mean?

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8496. For blending whiskey?—Certainly not; I think whiskey is a British manufacture. I think it is the general idea of the public that it is a British manufacture.

8497. If legislative restrictions on the mode of manufacture of whiskey in this country were increased, while the only protection against the foreigner remained the equality of the Customs duty with the Excise, would there not be a great probability that such foreign grain spirit would be imported into this country for producing blended whiskies?—I do not think so myself—certainly not at the present time, because there is no foreign spirit free to be imported into this country; they are short abroad.

8498. But if our manufacturers were put under extra restrictions that would increase the price in this country, while the foreigner would have nothing to contend with except the equality of the duty which he would pay to us which would render it cheaper?—I suppose if the Excise increased their restrictions they would give us an increase in the differential duty.

8499. You think that would be only just?—Yes.

8500. Do you export any spirit to the Continent?—Yes.

8501. Then you would pay more duty than the foreign spirit coming into this country. If you export spirits to foreign buyers on the Continent they have, of course, to pay the duty on that spirit when it comes in. Is that on a higher rate than the foreigner has to pay coming into this country as a rule?—Are you referring to the duty itself, or the differential duty abroad?

8502. No, the duty itself?—The duty varies in every country.

8503. Is it generally higher against us than ours against them?—British spirits pay most duty—more than any other country, so I understand.

8504. If we imported grain spirit from abroad to make our spirit we should not get an equivalent in being able to export to them our whiskey for their use. There would be an impediment?—As far as the import or export trade is concerned the question of duty does not come in at all.

8505. I think it is a very important one?—I do not see your point.

8506. My point was this: if we increase the legislative restrictions upon our own distillers, that will necessarily raise the price of the production of our spirit, and if the foreigner is not subject to these restrictions and remains only with the impediment of the present Customs duty, it would be commercially to our disadvantage because it would then be cheaper to import grain spirit than to manufacture it, and I understand that you think that under those circumstances our distillers ought to be protected by a higher Customs duty?—Certainly. I have answered that already.

8507. (*Dr. Cushny.*) Do you believe that when Scotch whiskey is blended with your London spirit it remains Scotch whiskey?—It remains blended Scotch whiskey.

8508. At what percentage would you draw the line? How much can Scotch whiskey be diluted with your London spirit and still remain Scotch whiskey?—I could not tell you that at all. According to the finding of the last Committee they simply describe it as a legal act.

8509. In practice what percentage of London spirit do you add to Scotch whiskey and still call it Scotch whiskey?—We still call it "Blended Scotch Whiskey." We use the word "Blended." On the average, I should say it is 50 per cent.

8510. Supposing you have a grain spirit distilled in Germany in the same method as you use here and as used in Scotland and Ireland too, I do not quite understand why, according to you, that should not be blended with 50 per cent. of malt and called Scotch whiskey?—Simply because I regard whiskey as a British article. That is the only objection I have.

8511. But you know there is American whiskey?—I have seen it made.

8512. So that whiskey is not a purely British product?—I suggested a little while ago a definition of whiskey in these Islands.

8513. But you have whiskey outside these Islands?—Yes.

8514. That is not a logical definition because, as you know, there is whiskey outside these Islands?—I was merely speaking of the British definition of whiskey. Really it is an Excise definition of whiskey which applies only to these Islands.

8515. But the Excise does not recognise whiskey at all?—Not at present.

8516. You suggest it should?—Yes.

8517. And allow any spirit made in this country to be called whiskey practically?—Any corn spirit.

8518. How far would you allow rectified spirit to be used in the making of whiskey?—In the first place it is not suitable for it. I have never heard of its being used.

8519. It might be used?—It might be.

8520. Would you refuse to allow that to be called whiskey?—I think the rectification would take out the bye-products that are necessary to entitle it to the name of whiskey.

8521. You look upon the grain spirit purely as a dilutant in the same sense that water is a dilutant?—Under that last Report I look upon it as a dilutant; but as an article of manufacture from the substances and materials it is made from, and the particular form of manufacture, I regard it as a whiskey.

8522. Under the last Report if you could dilute with grain spirit and could regard the grain whiskey as a dilutant, do you not think you could use the rectified spirit as a dilutant?—Yes, you probably might under that last Report.

8523. Then you would almost have to add to your definition that it must contain a certain amount of malt whiskey?—Not unless you define what malt whiskey is.

8524. Malt whiskey is pot still whiskey?—"Malt whiskey" is too vague a term, and "pot still" is too vague a term.

8525. You use only 50 per cent?—Yes.

8526. Why—if I might ask?—Because it suits the public taste—that is the only reason.

8527. Do you think more grain spirit would spoil the whiskey?—We should use more for a lower class whiskey, but I said 50 per cent. was the average.

8528. I understood you to say 50 per cent. was the lowest?—No, the average.

8529. How low would you go?—We do not exceed 75 per cent.

8530. Then the essential feature in any case is, as I understand, malt whiskey or pot still whiskey?—I do not understand your question.

8531. The essential feature is pot still whiskey, that is to say, you start with pot still whiskey, and you can dilute it with either alcohol or water?—Yes.

8532. Would you not think it is an advantage to the public that they should know how much malt the mixture contains?—I do not think it would be any use at all unless you define what malt is.

8533. Malt whiskey, or pot still whiskey?—Malt whiskey is such a very wide term. Some of the malt whiskies are nearly as plain as grain whiskey, and some are so coarse and heavy that they can hardly be drunk by themselves. It is such a vague term.

8534. You always use 25 per cent. of some malt?—No, we do not. We put some malt whiskies into a blend by themselves—we simply blend them together.

8535. But you never go below 25 per cent. of malt and call it whiskey?—No.

8536. Would it be advisable that the public should know that they have 25 per cent. of malt?—I do not think it would do any good at all.

8537. Do you think it would do any harm?—I think it would lead to malt whiskies being made plainer in themselves—that is all.

8538. You mean being distilled plainer?—Yes.

8539. Would you explain that?—There were certain Scotch whiskies that I remember about 20 years ago. When the demand for plainer whiskies was coming into vogue they changed their makes and produced a whiskey with less bye-products, less flavour, less aroma, and still sold it under their old names simply because they found that their former make was too accentuated and too strong to get a market. If you rule out all grain spirit to-day the pot still makers

would simply produce an article very similar to what is sold at the present moment.

8540. That is not exactly what I wanted to get from you. You stated if it was insisted that the name "whiskey" should only be applied to a thing that contained at least 25 per cent. of the pot still whiskey, it would result in the malt whiskey becoming plainer. I do not understand that?—So as to make a plain enough blend.

8541. Do you mean to say that anyone wants a plainer blend than 25 per cent. of malt?—I do not give 25 per cent. as the limit, but I think it is quite conceivable.

8542. You think some people would prefer it a little plainer?—People like all their food and drinks now-a-days drier or plainer than they used to thirty years ago. They like drier champagnes, and they do not like sugar with their tea, and they like lighter beers, and they like a lighter whiskey. It is a matter of public taste.

8543. The question is whether anyone wants a plainer thing than 25 per cent. of malt and 75 per cent. of grain?—I think that some of these extremely strong malt whiskies, even with 75 per cent. of grain, can be found too strong.

8544. What is the Irish and Scotch whiskey sent to London to do? You mentioned that Irish and Scotch whiskey was coming to London?—Grain whiskey.

8545. What is that for?—Some of it is going to the chemists, and some of it is going to the rectifier.

8546. Does it go to the chemist direct?—Yes.

8547. From Scotland and Ireland?—Yes.

8548. What does he do with it?—I do not know. He probably uses it for a solvent in his manufactures.

8549. You mean without any rectification?—Yes.

8550. He does not rectify his grain spirit before using it?—The chemist may not rectify. I am talking of manufacturing chemists.

8551. I notice that you propose a certain number of discriminations between foreign spirits, that they are to be separately labelled, and so on. Do you think it would be impossible to separate good blends from bad blends in the same way?—I think it is absolutely impossible to do so.

8552. Do you think it is possible to carry out this discrimination that you advise?—That is merely an Excise permit, and would make the identification in bond more easy. That is why I suggested it, and then if any rectifier or trader was buying spirit and he suddenly received a permit of a different colour he would know it was manufactured from a different material. It would be a safeguard to the purchasers, the dealers, the persons who buy from bond.

8553. Do you think there is anything in limiting blends in the same way, having a separate class for blends of 50 per cent. of grain whiskey, for example?—I do not think it would do any good at all.

8554. Would it not do as much good as this discrimination you propose?—What I propose is merely a discrimination between spirits made from corn and spirits made from other materials.

8555. And foreign spirits?—And foreign spirits, because foreign spirits have a different duty. That is why I suggested that.

8556. There is no commercial difference between those different spirits, is there?—No, I do not think there is.

8557. Dr. Adeney asked me to ask you whether 50 per cent. of Irish pot still whiskey, plus 50 per cent. of your London grain spirit would be Irish whiskey?—It would be blended Irish whiskey.

8558. Of course, the "Blended" goes as far as the publican, and no further I suppose?—I cannot answer for the publicans.

8559. (*Dr. Bradford.*) I think I understood you to say that you supplied a certain amount of spirits to chemists?—Yes.

8560. Is that grain spirit?—Grain spirit entirely.

8561. Is it entirely similar to the grain spirit that you use for blending?—The same thing.

8562. Precisely the same thing?—Yes.

8563. When you use the word "chemists" you mean manufacturing chemists?—Yes.

8564. You told Dr. Cushny you do not know for what purpose it is used?—No. I think it is as a solvent in the same way that they use fusel oil, and some of them use methylated spirit for some of their preparations.

8565. This grain spirit is what some of the witnesses before us would think might be called grain whiskey, is it not?—Yes. I think an Irishman or a Scotchman would call it grain whiskey.

8566. It is in many senses of the word a rectified spirit?—It is in an advanced stage of rectification, but it is not rectified spirit which we might class as rectified spirit.

8567. But it is precisely the same spirit as is used for blending with Scotch whiskey which is then sold as blended Scotch whiskey?—Yes.

8568. You cannot help the Commission at all by telling them what this spirit is used for by chemists?—No, I really do not know.

8569. Do you know whether it is used for the preparation of medicines, tinctures and things of that kind?—I should think so, but I really do not know, and I have no right to speak.

8570. With regard to these different percentages in your different blends of Scotch and Irish whiskey, are these different percentages to meet different tastes on the part of the public?—Yes, it is entirely taste. At one time twenty years ago we did not use any grain spirit for blending, and we found we were losing our trade.

8571. I presume it is also a question of price?—No, it is not.

8572. Is it purely a question of the taste of the public?—As regards the question of taste it simply enables an older pot still whiskey to be used with it.

8573. (*Mr. Guillemard.*) There are one or two questions I wish to ask you about the blending in bond of foreign and British spirits for export. I want to make my attitude plain. An Exciseman speaking to a distiller is naturally suspected, but I want to understand the position not of a section of the trade but of the whole of the trade. I have a feeling from the evidence given by two or three trade witnesses, including yourself, that there is a certain amount of misunderstanding on the matter. There are certain things allowed now to be done to spirits in bond for exportation which are not allowed to be done to spirits in bond for home consumption. The reason for that distinction is in every case a Revenue reason—that is to say, that if the things were allowed to be done in bond in the case of spirits for home consumption there would be trouble with the Revenue. When it is done for export there is none. That is the reason for the thing being allowed in one case and not in the other. That is the first point. The second point is that this blending of British and foreign spirits for export was originally allowed at the request of the trade; the Excise had no interest in it, but it was allowed at the request of the trade. The Excise is perfectly indifferent as to whether it is allowed to go on or is stopped. It is nothing whatever to them. The point I want to get at is whether the trade as a whole wish it to go on. Now, several witnesses, including Sir Robert Usher, who made a good deal of it in his evidence, have asked that this mixing of foreign and British spirits in bond for export should be forbidden. You agree with that view, and you were asked why, and you said because it damages the export trade from this county to America. Can you tell me in what respect you think it is damaged? I may say this as a preface. When the British and the foreign spirits are blended in bond for export they are not allowed to leave bond except under a label that clearly shows that they are a mixture. Do you wish to associate yourself with the request that that no longer should be allowed, and if so, why?—Yes, I do, and because I think that in Australia and in America (I take those as the countries which are most particular as to their imports) it is only right that spirits coming from a British port and coming under the name of a British production should be all British.

8574. They come under the name of mixed spirit. They cannot leave bond under any other name?—I understand that, but that identification is lost on

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landing. The importer abroad would bring it in and send it out to the trade.

8575. That makes rather against the idea that any Excise mark once on the label can track the thing right through to the drinker; but I pass that by. This is what I want to put to you: I thought your objection was going to be that the export trade in spirits to America was damaged (this is the view that several of the trade witnesses have put forward), because it is thought in America that something was supplied to the American drinker which the English law does not allow to be supplied to the British drinker. That is a view largely held in the trade?—I have heard that stated.

8576. Do you hold it?—I hold that there is a good deal in it; decidedly I do.

8577. I think there is a misunderstanding about it. What the Americans wish to stop (I quote from their Act) is the consumption in America of any spirit which is forbidden to be sold in the country from which it is exported or which is restricted in sale. Now in England there is no restriction at all on the sale of a mixture of British and foreign spirits. Anyone can sell them and anyone can mix them outside bond. But they may not be mixed in bond for home consumption?—In bond for home consumption.

8578. Do you think that the American objection is a right one in the light of that fact? I am coming to how it affects your trade later on; but what they want to stop is the supplying to a person to drink in America what may not be sold in this country. They are getting something that may be sold here. How is your trade damaged by that?—I think it would be well to remove the prejudice abroad as far as possible. There is nothing in the whole matter, because in the first place it is not done.

8579. That is exactly the answer I wanted to get from you because I want the trade to understand what they are committing themselves to in the line they are taking. Now this particular thing we are talking about is an instance of many things. There are several other operations which are allowed in respect of spirits for exportation which are not, and could not, be allowed for spirits for home consumption. To make the operations in bond for home consumption and exportation precisely similar (and that is what the Americans are asking for) would mean the withdrawal of a number of privileges which the trade now possess, and which the trade have asked for in the way of preparing spirits in bond for a foreign market. I want to put this to you: If the trade take the line you take about this one point, I do not see how you are going to stop if the Americans press you or press the English Government to make the regulations in bond identical for export and for home consumption; and what I wish the trade to think about is: Is the trade as a whole prepared to take that line, because if they do the Excise would not object; but if they do ask for it I want them to do it with their eyes open. Have you any views on that question?—No; it would take a good deal of thinking over. There are many, many points which are allowed by the Customs that are not allowed by the Excise.

8580. You cannot stop at that one thing?—I quite see that.

8581. Now let me take an instance of what I mean. There is another operation allowed in bond on spirits for export and not allowed for spirits for home consumption, and that is an operation that one or two witnesses have spoken about, and that they have asked may be forbidden. Under the Spirits Act of 1880, Section 69, it is provided: "A distiller or rectifier may add any sweetening or colouring matter or any other ingredient to spirits for export." He is allowed to do that for export because there are no Excise difficulties, but he is not allowed to do that for home consumption?—Not in bond.

8582. No. Now if there is pressure put on the Government by America or by the trade to prohibit that in bond, what would your view be about that? That is merely an instance of one of the things in which the regulations must logically be made uniform if you begin. Have you any idea how the trade as a whole would take any change of that sort? It has been urged on the Commission by several trade witnesses?—It would considerably affect the rectifying trade for export.

8583. Would it affect you personally?—Decidedly. Take sweetened gin, for instance. Gin is very often sweetened in bond before it is bottled for export. Cordials are made in bond by many firms, and other things are done which come under the category of compounding.

8584. You will see that a good many trade witnesses—Mr. Seaman, for instance—urged that this concession should be withdrawn, and I think Sir Robert Usher meant to urge the same thing?—Yes.

8585. I think that both of those witnesses were in favour of it. May I take it that you would be against it?—We would be in favour of it if you except all compounded goods.

8586. But how could you get over the damage to trade in America? America, apparently, is outraged if anything is allowed to be done in bond for exportation that is not allowed for home consumption?—They are simply under a misapprehension. In the case of sweetened gin they quite understand it.

8587. In America?—They perfectly understand it.

8588. I understood from the trade witnesses who have come before us in the last two or three sittings that the reason why they urge the withdrawal of the concession is that their trade is being damaged in America because of this belief. I gathered that that was the American view?—I do not think you could treat all spirits as if they were under one category. I think you must separate compounded and non-compounded spirits.

8589. I did not want to spring the question on you to be answered at once. I have rather used you as a stalking horse because I wanted to bring out what I think is the point at issue. I rather doubt whether the trade as a whole appreciate it, and I want to make it quite clear that the Excise have no interest in the matter of any sort. What I personally wish, and what the Commission wish, is to know the views of the trade as a whole about this matter, and to be quite sure that they are speaking as a whole, because I am not quite clear about it?—Quite so.

8590. There is one other point with regard to your suggestion, that British spirits should be classed according to the materials used in their manufacture, and that different permits should be given. Are you aware that in the past when those different coloured permits were used they did not work very well, and the experience of the Excise was that in some ways they rather made for fraud? Have you any knowledge of that?—No; it is all ancient history, but I have no knowledge of it.

8591. It was about 1861 to 1864. There were special permits used at malt distilleries?—I was not referring so much to the different Scotch permits as to the British permits and the foreign permits being of a different colour. As far as I know they worked successfully. I never heard it hinted that there was any trouble there.

8592. Which permits are those?—Simply the British and foreign.

8593. Yes, there was trouble there too. What was found was this: that there were stringent regulations at that time in force as to mixing the two, but they did get mixed and they did get sold under the wrong denominations. I think our experience was that the public did not get much security from the label. You have no experience of that, have you?—No, it is a long time ago.

8594. (*Chairman.*) As I understand you, there is a blending of spirits, British and foreign, which takes place in bond for exportation?—It is allowed by law, but I do not think it is done. I have never heard of a case.

8595. I thought you were dealing with the evil—that you objected to exportation of this blended spirit in bond?—I was saying that I considered it produced a prejudice abroad.

8596. The mere fact of the permission?—Yes.

8597. May I take it from you that all this is, I will not say sentimental, but theoretic?—I think so at the present moment. I am not aware it is being done at all.

8598. Is not your evidence being given *ex abundanti cautela* to prevent it ever taking place in the future?—Yes.

8599. Why do you expect it will take place in the future if it has not taken place in the past?—It might do if there was a change in the spirit market of the world. If certain countries had an overplus of spirit and we were short in England the spirit would come here.

8600. You think they would dump the spirit on us?—Yes, they have in the past.

8601. You object to that?—Very greatly indeed.

8602. It does not exist at present, so that we are merely discussing in the air this question of the blending in bond?—Yes.

8603. (*Dr. G. S. Buchanan.*) The objections to colouring, mixing and other things which may be allowed for export and not for home purposes which have been taken by the American Government are, as you have told us, and as Mr. Guillemard has helped us to understand, really objections to action which is taken for Excise reasons and originally at the request of certain sections of the trade?—Yes.

8604. But at the same time they can be twisted, or they can be regarded as meaning that it is possible that an inferior spirit is allowed to go out, and can go out legitimately to foreign countries which would not be allowed in the country of origin?—Yes.

8605. Certain of those points seem to have been taken up by the countries concerned, and have been used, as distillers have found, to harass the trade. I do not know if you know it, but have you gathered that the object of these pin pricks, as one may call them, is in the direction of getting from the Government Departments concerned some definition or statement as to what the spirits which are exported abroad consist of?—It is.

8606. One knows the attempts that have been made in the United States and elsewhere to obtain from foreign countries in respect of particular foods official definitions which are guaranteed by the Governments concerned?—Yes.

8607. We never know what the Americans may do under their food laws, but it is quite possible, is it not, that if definitions of spirits were arrived at for home purposes on such points as this Commission is considering, for instance, as to what constituted grain whiskey, blended whiskey, Scotch whiskey, or whatever it may be, and a statement could be provided with spirits going abroad from bond under official sanction saying whether they were in one or other of these broad classes, then all the difficulties and these pin pricks would vanish?—Exactly. It would be a good thing.

8608. (*Chairman.*) The Commissioners are much obliged to you for the information you have given them.

The witness withdrew.

Mr. Alexander Mitchell Cowie, called.

Mr. A. M. Cowie.

8609. (*Chairman.*) I believe you are the proprietor of the Mortlach Distillery, which is situated in the Glenlivet district?—Yes.

8610. Does Glenlivet come within the Speyside District?—Yes.

8611. The Mortlach Distillery was licensed in the year 1823?—That is so, my lord.

8612. Has it always been a pure malt distillery?—Always pure malt.

8613. You represent the North of Scotland Malt Distillers' Association?—I do.

8614. And the evidence you are about to give, as far as you know, represents the opinion of the majority of the Association?—Yes.

8615. There are, I believe, in the Association 42 distilleries?—Yes, my lord.

8616. And the district in which the distilleries are has Aberdeen as its centre?—It extends from Aberdeen north and west.

8617. In that district there are 80 distilleries, and 42 are in the Association?—Yes.

8618. To go back to the history of these distilleries. I believe in former times every farmhouse had its distillery?—Yes.

8619. Not illicit?—Not illicit.

8620. In the same way that there was a great deal of private brewing going on in houses?—Yes.

8621. What sort of apparatus was used in those primitive times?—A very rude apparatus.

8622. Was it like anything that is used now?—They were all pot stills—very small ones.

8623. When did what is termed the Spirit Act come into operation?—1821.

8624. After that time, of course, the law was altered by that Act, and a great deal of smuggling went on?—Yes.

8625. Where, as a rule, were those smuggling operations carried on?—They were carried on at some well which was famous for its water, or in the neighbourhood of some well, or in the farmhouses in the hills mostly.

8626. They were called "bothies"?—Yes.

8627. What became of the product when made?—It was carried over the hills through Glenlivet.

8628. It was not for home consumption entirely?—Not entirely. What was taken south was carried over the hills through Glenlivet to Perthshire, Dundee, and so on.

8629. Then this became a rivalry to the legal distilleries?—Yes.

8630. Did a time come when efforts were made to suppress these illegal distilleries?—Yes.

8631. About when was that?—After the Spirit Act of 1821, I think it was. At that time the Government gave an extra rebate of 1s. 2d. a gallon on all malt whiskies consumed in Scotland. This was continued till 1860.

8632. Did they require that incentive?—I do not think so, my lord, but I think the idea was to get these distilleries to take licences.

8633. It altered entirely the action of the distilleries and the legal distilleries came into operation with licences granted?—Yes.

8634. When did the Glenlivet distilleries attain their reputation?—Since about 1880 there has been a considerably greater demand for the Glenlivet style of whiskey.

8635. I understand that, in the first instance, all these makes of whiskey were pot still and malt?—Entirely.

8636. You have seen and heard of a change taking place?—Yes.

8637. I suppose you trace that change, to a great extent, to the patent still which existed before 1831, but it was emphasised by the patent still of Coffey in 1831?—Yes.

8638. I do not know that we need go into it unless the members of the Commission wish it, but you know the history, do you not, of the two or three principal patents which existed before 1831?—Yes, the Stein patent still and others

8639. In the Highland distilleries malt alone is used, I think?—Yes.

8640. How do you designate the Highland distilleries?—I consider the Highlands divided from the Lowlands by a line drawn through the great glen of Strathmore, from Stonehaven to the Mull of Kintyre.

8641. That is, from east to west?—Yes.

8642. In that district in the Highlands you do get still pure malt?—Yes, entirely.

8643. But in the other parts of Scotland what do you get?—You get patent still whiskey. I can produce a map showing the number of distilleries above this line. (*Producing a map and explaining same to the Commission.*)

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8644. Is that line an arbitrary line?—You will find it, my lord, in the Encyclopædia Britannica, under "Scotland."

8645. Does it divide the Highlands from the Lowlands for whiskey purposes only?—No. If you read the article on Scotland, the writer says that the Highlands of Scotland are in a line from Stonehaven down to the Mull of Kintyre, but he says there are Highlands in the Lowlands and Lowlands in the Highlands.

8646. I will not trouble you with the proportion that is made now of pot still and patent still, but Scotland produces both?—It does.

8647. You are speaking now more of the Highland malt?—Yes.

8648. You sell, I suppose, your produce to the dealers as pure whiskey?—Yes.

8649. Unblended?—Yes.

8650. But you sell to the blenders?—We do.

8651. At present who are your largest customers?—The blenders are the largest.

8652. Considerably the largest?—Considerably the largest.

8653. From your communications with the trade, and also with the public to a certain extent, what is your view as to the estimation in which the blended whiskey is held both by the trade and the public?—Do you mean as distinguished from the patent still or the pure malt?

8654. No, I take it as the blending trade is going on now—is it held to be a beneficial trade?—Yes.

8655. Both to the trader and to the public?—Yes.

8656. Both as to health and as to the less injury in the direction of intoxication?—That I could not say. I do not think there is any difference between the effect of a blended whiskey or a pure malt whiskey or a grain whiskey, provided it is the same strength.

8657. I will not ask you to give a character to one or the other, but I thought the blended whiskey would be less pungent and would have mellower and milder qualities?—I do not know that, my lord. If the other is very old I think it is quite as mild.

8658. The Highland whiskies are sub-divided into classifications? — Yes, Campbeltowns, Glenlivets, Islays and Ross-shire whiskies.

8659. How does the sub-division arise? Is it in the quality?—The quality and the style of the whiskey. There are different types of whiskies, and different styles.

8660. Are these different whiskies blended in the Highlands?—No, but the blenders use all these different whiskies in their blends to produce the article of commerce which is called whiskey.

8661. But when you get a Campbeltown and Glenlivet do they blend with each other?—They are blended with patent still whiskey.

8662. Not with each other?—Not to my knowledge.

8663. They would be blended with the patent still whiskey?—Yes, with the patent still whiskey in proportions.

8664. You do not follow this blending very much yourself, I suppose?—No, I am a distiller.

8665. From what you know is going on in respect of the blending, would anything that interfered with the blending of these different whiskies be injurious both, as you say, to the trade and the public?—I think so, provided a certain fixed quality and character of the blended whiskey is maintained.

8666. Is that the opinion of your Association?—That is the opinion of my Association.

8667. I suppose the blend has come into existence to the extent to which it now exists by virtue of the public demand representing public taste?—That is so, that is to say, a good class blend.

8668. I believe you think it advisable there should be no classification of your whiskey as British plain spirit, but you wish to retain the name "Highland malt whiskey"?—Yes, we ask that there should be a distinct permit granted for our product—Highland malt whiskey.

8669. That would be granted by the Excise?—Yes.

8670. What would become of that permit so far as the effect on the public is concerned?—Supposing the public wanted a malt whiskey and got it from a dealer he would have to give them that permit. He would not be allowed to introduce any other spirit into it.

8671. The permit, as I understand, would be with the Excise officers. There would be a notice on the casks, for instance?—Yes.

8672. Then that whiskey gets into bottles and gets over the bar of a public house. What becomes of the permit?—Whoever buys the whiskey would have the permit.

8673. Now you are speaking of the trader?—Yes.

8674. That is from the distillery?—Yes.

8675. Then there is an end of the permit?—The permit goes with the consignment.

8676. And there it ends? The public would never see or hear anything of that permit?—If they knew there was a different coloured permit going with malt whiskey they would know they were getting malt whiskey.

8677. You would not find it in the bottom of the glass. I am speaking now of the interests of the public. On leaving the distillers' hands and getting into the hands of the merchant and blender, whoever he may be, surely the effect of the permit would end?—Supposing there was a case like this: a publican gets certain stock into his place and he is asked what it is. He says he does not know; he buys it from a certain wholesale house. If he asked for malt whiskey and got a different coloured permit he would then know he was getting malt whiskey, that is to say, from bond. This man is held responsible by the public health authorities for what he sells, and supposing he was asked for malt whiskey, and he does not know what his whiskey is, he had nothing to guarantee it, but if he had a different permit, he would then know what he had.

8678. I do not think that you are generous enough in your care for others. Do you think the patent still whiskey should have a permit as well?—Yes, it has to have a permit.

8679. Supposing one hundred gallons of pot still whiskey goes and one hundred gallons of patent still whiskey goes with their permits and their blendings. What is to become of the permits?—You would have a different permit for blended whiskey.

8680. Who is to give that?—The Excise.

8681. Would the Excise follow into the blenders and be able to give the permits?—They go under bond.

8682. But I am dealing with the outside blending?—You mean duty-paid blending.

8683. Yes?—The Excise can follow that if they like. They have the power to do so under the law.

8684. Surely it is a very great duty to cast upon the Excise to see what blending is going on?—I think if there is any extra revenue to be collected the Excise would undertake it at once.

8685. (*Mr. Guillemard.*) Would the trade welcome the Excisemen going into the interior of their houses more than they do at present?—I think the time has come when the Revenue Department should consider John Bull's stomach as well as his pocket.

8686. (*Chairman.*) But supposing you have a blend of 90 per cent. patent still and 10 per cent. of malt, what should be the permit for that?—According to my ideas that ought to be sold as patent still blended whiskey.

8687. Would you make any variation in your permit according to the blends?—No, I would have a certain minimum of malt whiskey in a blend.

8688. Would you take it at 25 per cent.?—It must be arbitrary.

8689. Would you have the permit state the fact of blending 50 per cent. of each?—If it was 50 per cent. of each, or whatever minimum proportion of pot still malt was arranged as adequate flavouring for the silent spirit, I would have that called Scotch whiskey.

8690. If you are right in saying 90 per cent. is to be treated as patent still whiskey you would have a series of permits. You would have a permit from the patent still distiller, and then when it is blended you would have another permit from the retailer?—That would be so, according to my view.

8691. But the Excise officer would have to look at it because the blender would have to know what he was getting for his blend. Is not that a little inquisitorial?—I was looking at it from the position of being under bond.

8692. You have to deal with the effect of it outside bond?—Precisely, but that is a very small percentage. I am not a blender myself, but I understand it is very small.

8693. As Mr. Guillemard suggests, if the Excise Department made it very uncomfortable in bond you would get a great deal more outside bond. At any rate, you are in favour of this system of permits?—Yes.

8694. You have had some correspondence with Somerset House lately on that question, and if you have no objection I would like to postpone that until Mr. Guillemard examines you?—Very well, my lord.

8695. You are representing here the malt distillers?—I am.

8696. But you are anxious to say that there is no antagonism between the malt distillers and the grain distillers, at least on your part, so long as the grain distillers' product is kept in proper proportions?—That is so.

8697. What do you, on the part of your Association, say is, in your opinion, a proper proportion?—That has never been decided.

8698. But have you not made offers?—We have made offers of 50 per cent.

8699. But supposing the offer had been accepted, what do you say would have been the result? Do you mean that on the basis of 50 per cent. you all agree that should be called Scotch whiskey?—Yes, the Scotch whiskey of commerce was to be 50 per cent. of malt and 50 per cent. of grain.

8700. Supposing it was 75 per cent. of grain and 25 per cent. of malt, or 80 per cent. of grain and 20 per cent. of malt, do you wish that prohibited from being blended?—Not from being blended, but it should not be sold as Scotch whiskey.

8701. Was there any suggestion made of any substituted name?—It would be blended whiskey.

8702. It was the word "Scotch" you objected to?—Yes; we wished to maintain the asset of "Scotch whiskey."

8703. It is allowed to be Scotch whiskey if you blend 50 per cent. of Scotch patent still spirit and 50 per cent. of Scotch pot still whiskey, but if you blend 75 per cent. of Scotch patent still spirit and 25 per cent. of malt? It is all "Scotch"?—My point is, what does the man in the street expect to get when he asks for "Scotch whiskey"? He expects to get a blend of malt and grain, but at what point should the dilution stop with the grain?

8704. I quite see you think 50 per cent. Why do you fix on 50 per cent? Is it because you think it better for health?—Scotch whiskey I consider is an article which originally was all pot still, and the Scotch whiskey we consider should have the characteristic of that article.

8705. Is that in the interests of the trade, or is it still further in the interests of sentiment, or is it in the interests of the consuming public?—It is in the interests of the consuming public.

8706. Why?—That they should get a fairly decent article when they ask for it.

8707. When you say a fairly decent article what do you mean?—I mean to say a good article—get value for their money.

8708. In what does the value consist?—The pot still whiskey costs much more than the patent still.

8709. Supposing the trader is an honest trader selling to the public, if the proportion of the patent still is large he sells cheaply to the poor man. I do not understand you to say there is anything injurious in the cheaper whiskies?—No, provided they have age.

8710. That is another point. Then it comes to this, that, really and truly, you think it is but fair and just that there should be knowledge conveyed to the public?—Yes.

8711. But I do not see for that reason why the 50 per cent. comes in. It is an arbitrary rule that it shall only be called "Scotch" if it has 50 per cent. of malt in it?—That we should leave to the Commission.

8712. As being a task easy to fulfil, and with no difficulties in it. However, I think I see what you mean. Now you say, and it is important, that patent still whiskey cheapens the price of a blend to the merchant?—Yes.

8713. And it enables him, of course, to use your products more than probably they would be used if they were taken pure—at least for the English taste?—Yes, with greater age.

8714. Now a few questions about the price. Do you think that in all cases where the blender is sending to the merchant the merchant is informed of the percentage of the blend?—I think not; but I am not a blender.

8715. What is to prevent, I do not say a dishonest person, but a careless merchant receiving this blend and never being told at all what is the percentage of the blend? If you say you really do not know I will not trouble you, but is it the practice of the merchant to say to the blender: "I have to base my price on what is the blend of this product"?—I expect so, but I really do not know.

8716. Would the price itself tell the merchant more or less the proportion?—It should be some indication.

8717. Do you know at all what is the practical range between different descriptions of blend as to price?—I think there are blends coming as low as 1s. 10d., or to any price you like, up to 15s.—that is in bond—and I believe there are even cheaper ones than that.

8718. As you say in your *précis* you consider the blenders are your best friends?—Yes, they have advertised Scotch whiskey all over the world.

8719. Of course, this includes wholesale merchants who mix themselves different classes of malts together with a proportion of the patent still?—Yes.

8720. Which, of course, has the effect, as you have told us already, of diluting the flavour, and produces a palatable whiskey?—Yes, that is so.

8721. Do you find that the pure malt whiskey is still drunk in certain districts of Scotland to any extent?—Yes, my lord.

8722. More than, say, in the case of the Lowlands or in England?—Yes.

8723. Is that because of the climate?—The climate suits it better.

8724. More exercise and fresher air?—Yes.

8725. I suppose certain distilleries get a certain reputation?—Yes, but still there is a certain amount used in England too.

8726. Has your attention been called to the fact that there is really a pretended blend by putting in a very small quantity of the pot still and then calling it a blend?—Yes.

8727. What sort of commodity does that produce?—It is mawkish and flavourless stuff.

8728. Surely that would remedy itself, because the public taste would stop that?—Provided there was free trade.

8729. Are you touching now the subject of tied houses?—I do not want to touch upon that point.

8730. Do you know anything about them?—No, I am not in touch with them.

8731. Take the temperance point of view. What do you say is the effect of a man getting a better whiskey compared to an inferior commodity?—I think a flavoured spirit would be more satisfying to him as a beverage. It would be more satisfying to his thirst than if he got a flavourless spirit.

8732. You have nothing to say as to the intoxicating qualities?—I think from that point of view that, as alcohol, they are equal.

8733. What produces the greatest thirst, according to you?—I think the patent still spirit produces thirst.

8734. It makes a man go on drinking?—Yes.

8735. You say it is mawkish?—Mawkish and flavourless.

8736. There are some questions that you wish to refer to with regard to the evidence of Mr. Ross and Mr. Drysdale. I do not think it would assist us very much to show there have been different views

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entertained by different persons at different times?—The views entertained then are quite different to those entertained now.

8737. There are people in this world who improve and increase their knowledge, but will you just state generally what is the difference you wish to point out?—At the time I refer to, 1891, there was no claim that patent still whiskey should be called whiskey *per se*, but that it was blended with pot still malt whiskey, and that that was Scotch whiskey, whereas now we are confronted with the position that patent still whiskey should be called Scotch whiskey.

8738. Was it Mr. Drysdale who gave his opinion in 1891?—Yes, he was then Managing Director of the Distillers' Company.

8739. Blending has gone on a great deal since 1891?—Yes, but blending was going on then.

8740. Your point is that in 1891 Mr. Drysdale, who represented the Distillers' Company, took a different view?—He put forward the view that it was used as a blending dilutant.

8741. And now Mr. Ross represents the same Association?—Yes; and he says it should be called Scotch whiskey without any admixture of malt.

8742. You wish particularly to call attention to the fact that the Distillers' Company have advertised and pushed their Cambus Whiskey, "without a headache in a gallon." I do not see the meaning of that?—The inference is that the other whiskey gives a headache. That was put in the advertisement.

8743. You say the Distillers' Company have for two and a half years advertised and pushed their Cambus Whiskey "without a headache in a gallon." Is the Cambus Whiskey patent still whiskey?—Yes.

8744. I do not see what inference you draw from that fact, if it be a fact?—That was put in their advertisement, but the public did not seem to like it; they seemed to accept the other whiskey with a headache thrown in.

8745. Then probably the public took the blended whiskey instead of the pure Cambus?—Yes, my lord.

8746. Was any alteration made with regard to this patent still whiskey after the Islington case?—Yes, before the Islington case they advertised it as patent still spirit, and after the Islington case they gave it the name of "whiskey."

8747. "Whiskey" without the "Scotch"?—Yes. I can produce the advertisements, if you would like to compare them.

8748. Your point is, as I understand, you do not object to the words "Scotch whiskey" if the proportion of the blend is sufficient?—Sufficient proportion of pot still malt to give it the character of Scotch whiskey.

8749. That comes to this, that you say the pot still whiskey is Scotch whiskey and patent still is not?—Not *per se*.

8750. Not unblended?—Not unblended.

8751. But your pot still whiskey unblended is Scotch?—Yes, it always has been.

8752. What do you say as to the ageing of spirits in bond?—I consider that it would be to the advantage of the whole trade if spirit was aged. It does not make very much difference to the malt distillers, because their product is not used under an average of about five or six years old.

8753. Is that so that you would say, without legislation, and without interference, from the nature of your product, that it should not get consumed for five or six years?—That is malt whiskey, but the patent still goes in largely to consumption much younger.

8754. Would you impose any obligation for this ageing, such as detention in bond, or would you leave it to the public taste?—The trade, taking it all round, are of opinion that it would be a great advantage, and give the public more confidence if they knew they were getting spirit of age in the blends.

8755. Is your malt spirit objectionable to the palate, and therefore little consumed, unless it has this age that you speak of?—Certainly.

8756. In what way does it show itself? Is it fiery?—No; when it is new it is quite pleasant—sweet. After a week or two it develops a peculiar sort of nasty flavour and smell. Then it goes through a process of refining, and comes out a fine old malt whiskey.

8757. Take the first six months. Could you recommend a customer to take that whiskey and drink it during the first six months?—No.

8758. You say it is pleasant?—It is pleasant when it is got absolutely hot from the still, and it is sweet.

8759. Is it drinkable?—It is drinkable then.

8760-1. How long does that period continue?—Only about a week.

8762. When you say it is drinkable at the end of five or six years, how long will that whiskey continue to improve?—It will depend entirely on the body it has to begin with.

8763. The same as wine?—Yes. If it is a very rich, sweet whiskey, it would take longer to mature, the same as a vintage port. If it is a thin whiskey it will take a shorter time.

8764. You have suggested five or six years was the time you allowed for it to become perfectly drinkable. After that time does it go on improving or not?—It goes on improving up to fifteen years, in my opinion.

8765. How long would it continue to improve if put in bottles?—Then it gets a bottle flavour after that, but it will not improve in the same way after it is bottled.

8766. I have seen advertisements of sales of whiskey of extraordinary age. How long would bottled Glenlivet keep?—It would keep if properly corked and sealed and there was no action of the air; it would not deteriorate then.

8767. It would keep for a long time?—For a long time. Of course, like every other thing, corks and things go wrong.

8768. On the whole, I understand you to recommend that there should be some legislative definition of bonded whiskey?—Yes.

8769. You do not put the same period of time for the patent still?—I think if there is any legislation it should be the same for both. I am a malt distiller of a high flavoured whiskey, a thick type of whiskey, but there are malt distillers who make thin spirit, and it would not be fair to put us under different conditions from the patent still product.

8770. Is not that rather hard upon the patent still manufacturer if his product does not want the same time, that he should have the same time imposed upon him?—He is quite content.

8771. Surely there is a loss of capital?—No.

8772. Why?—It pays him to keep it. He gets rent for it.

8773. But the man who wants to sell it I am referring to?—You mean the merchant?

8774. Yes?—He also gets more for it.

8775. But surely if it does not improve it in the same proportion as it does improve the pot still, ought he to get more for it?—He does.

8776. That is hard on the public, because they do not get any better patent still spirit for the keeping?—Oh, yes, it improves.

8777. Some say six years for one and three for the other?—Three years for both would be all right, I should think.

8778. That is a matter of degree of time, but you do think pot still requires more time to come to its best than the patent still?—Yes.

8779. How would you define Scotch whiskey?—I define Scotch whiskey as a spirit made in Scotland, which contains a mixture of malt and grain whiskey in such proportions that the whiskey has the characteristics which belong to pot still malt whiskey.

8780. That scarcely includes pure malt, does it?—Oh, yes.

8781. You are now giving us a definition. Pure malt, at any rate, is Scotch whiskey?—Yes.

8782. Do you draw anything in favour of Highland Scotch whiskey as against Lowland Scotch whiskey?—Yes, we should consider it finer.

8783. Why?—There is more aroma and bouquet.

8784. But you would not confine the term "Scotch whiskey" to Highland whiskey?—No. I say Scotch whiskey is a spirit which has the characteristics.

8785. But in the main, what is "Scotch whiskey" to be applied to? Would you apply it to any grain other than malt?—Yes, a mixture of pot and patent still whiskey is Scotch whiskey of commerce.

8786. When you say a mixture of pot and patent still that looks like blended whiskey?—Yes.

8787. But going to the manufacture first before we get to any blend, would you allow the term "Scotch whiskey" to be applied when you have grain other than barley and malt?—No, not by itself.

8788. Then if ever so small a quantity of any grain or maize, you would at once say that should not be called Scotch whiskey?—Not unless mixed with malt whiskey.

8789. That is a blend?—The pure Scotch whiskey is no doubt pot still whiskey originally.

8790. I am now on the ingredients. You wish to confine it to malt only?—Yes, and to a blend of malt and grain.

8791. You get away from what is the manufacture. That is the blend of two whiskies. I want to keep you to the making and the ingredients. You would allow some ingredients to be used in making Scotch whiskey other than malt?—Yes.

8792. What would you have?—The ingredients which are used to make patent still whiskey.

8793. What are they?—I believe maize and rye, but I am not a patent distiller.

8794. Then so far you would allow those ingredients to be used, and would you allow the product to be called Scotch whiskey?—No, not unless it is mixed with pure pot still malt whiskey. I quite acknowledge my position is not a logical one, but that has come to be the whiskey of commerce, and the blenders say they are the men who make it.

8795. You say your position is not a logical one?—Yes. Any definition of Scotch whiskey must be arbitrary.

8796. This patent still whiskey is made of other things than malt?—Certainly. It is no use making it of malt, because the patent still removes all the malt flavour, and as good an article can be got from cheaper materials.

8797. You do not object to it being made and sold, but you want it to be clearly and distinctly marked from the Scotch whiskey which, according to you, must have malt in it?—Yes, that is my position.

(Adjourned for a short time.)

8798. (*Dr. Bradford.*) I wanted to ask you if you could give us any evidence as to whether there is any difference in the action of pot still whiskey and patent still whiskey?—That is a very difficult question. You mean pure pot still whiskey, and pure patent still whiskey.

8799. Yes. We have had some evidence on the medical side given to us tending to show that there was some difference in the action, and I wanted to ask you whether you have anything to say with reference to that?—I think there is a big field there for inquiry as to what the action is. I have heard it stated that there is a different active principle in pot still whiskey and in patent still whiskey. I think it is admitted that in patent still whiskey there is no furfural, and whether there is an active principle in patent still whiskey different from pure malt or not I am not prepared to say.

8800. I am asking you as regards its use medicinally. Would you think there is any great difference in the action of the two?—Most distinctly.

8801. You think there is?—Yes.

8802. Would you kindly tell us in what way?—I think pot still whiskey has more of the nature of a brandy, and if a medical man orders Scotch whiskey, he wants, at any rate, a fair proportion of pot still whiskey.

8803. Do you think medical men are in the habit of ordering Scotch whiskey, as distinguished from simply ordering whiskey?—They order Scotch whiskey.

8804. To what do you attribute the difference, if any, in the action?—To the active principles in the Scotch whiskey, the same as in brandy.

8805. You mean the bye products?—Yes.

8806. We have had it suggested to us by a former witness that the absorption by the stomach is more rapid in one case than in the other. Do you think that is so?—I should say so. You mean that the purer alcohol is more rapidly absorbed.

8807. That is not quite my point. My point is whether the absorption of pot still whiskey is more rapid than the absorption of patent still whiskey?—I think the reverse.

8808. Why do you think that?—You mean the active principles?

8809. I was talking of the absorption of the whiskey as such?—I do not exactly follow your point.

8810. The point that was put to us before was that, if pot still whiskey was ordered for a patient, the effects of the dose ordered would be produced much more rapidly than if patent still whiskey was given?—The alcohol would be absorbed at the same rate, but the whole difference would be in the bye-products.

8811. You think there is a notable difference in the action of the two?—Yes, certainly.

8812. Now, as regards the production of intoxication by the two varieties of whiskey. What do you think about that?—I do not see that there should be any difference, because it is the alcoholic strength.

8813. It depends on the alcohol rather than on the bye-products?—Yes.

8814. And therefore if the alcoholic strength of the two were the same the effects would be much the same?—Precisely.

8815. Then with reference to the reported injurious action of freshly-distilled spirit, or new spirit, what have you to tell us with reference to that?—There is no doubt that there is a great change takes place in whiskey in the course of maturation. There is no doubt there are ethers or some product that goes off in the wood, and that a distinct change takes place. That new pot still whiskey is injurious I would not say. I have no experience of patent still whiskey. I have seen men at these distilleries live to be very old men, and they have drunk this whiskey all their lives.

8816. Have you seen any disastrous results anywhere to people from drinking new whiskey?—No, I could not say that at the distilleries I have seen it.

8817. You have seen instances of individuals who have been in the habit of drinking new whiskey who have lived to an extreme old age?—Yes.

8818. (*Dr. Adeney.*) I see in your *précis* you refer to a detail with reference to the manufacture of pot still whiskey concerning which we have had some evidence. It is the effect of heating by direct fire?—Yes.

8819. Do you associate any special peculiarity with that?—I think that the essential flavours of the whiskey are got in that way by the treatment of the wash which produces this burnt ale.

8820. You consider that a very important detail in the process?—Yes.

8821. You would object to heating by steam pipes, or anything of that kind?—Yes.

8822. Have you seen any results from heating with steam pipes?—I have seen whiskey made from heating with steam pipes; in fact, in the Lowland Distilleries they do that largely. In the Highland malt distilleries almost without exception it is all by direct fire. In the North our coals cost us a very large sum, that is to say, just now we are paying something like 23s. a ton for lump coal, and it would be much cheaper to heat by steam jacket or steam pipes, but we do not think we should get the same results.

8823. You are prepared to incur an increased expense to get better results?—Yes, we think our product would suffer if we did not.

8824. The product obtained by heating with steam you say, has not that decided flavour?—Certainly not.

8825. You say that it has not that decided flavour. That you have found from your own personal observation?—Yes.

8826. I notice you say there are no line arms used with Scotch pot stills?—No.

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8827. Are there any rectifiers used?—Yes, there are some. There are the return pipes with cylinders in the still such as you saw when you visited the North. They have those at several distilleries. I think you saw most of them as far as my knowledge goes, but there is no analyser, so far as I know. The fact of the matter is that in making Highland malt whiskey we like to get the steam condensed as soon as possible.

8828. I see you would like to restrict the name of Scotch whiskey to a blend containing not less than 50 per cent. of malt?—Some fixed percentage.

8829. Some considerable percentage we may say?—Yes.

8830. Would you associate with that definition any limit of age?—Yes, certainly.

8831. That you think necessary?—Yes, certainly.

8832. It has been suggested that that would not be a real protection to you, because cheap blends—inferior blends could be made with considerable quantities of malt. Do you agree with that?—No. As Highland malt distillers we think we could take our chance there—that our whiskey would be so much superior that the cheap malts would not be used.

8833. I see you really base your idea of the value of Scotch whiskey upon flavour?—That is so.

8834. So that you take up a similar position to the Irish pot still distillers?—Yes.

8835. You would not be content with any limiting description according to geographical position?—No.

8836. How would you designate a blend of Scotch malt and patent still whiskey containing too low a proportion of malt to warrant it being called a Scotch whiskey?—I would call it blended grain whiskey.

8837. It has been suggested to us that two terms might be used for a blend containing a considerable quantity, say that 50 per cent. and upwards of malt should be called a blend of Scotch malt and grain whiskey, and blends containing the larger proportion of patent still should be called grain and malt?—That might be done.

8838. Do you think that would give protection? Do you think that an advisable thing?—The great difficulty about such a proposition as that is that you would not differentiate between a very large proportion of malt, say 30 or 40 per cent., or whatever it was, and one with 5 per cent. of malt.

8839. With regard to the legal limit of age, we have had evidence that to produce good blends you want an old patent still whiskey as well as old pot still whiskey?—That is so.

8840. So that for the better classes of spirits it would not be a prejudice to the patent still distillers to have to age their spirits?—No.

8841. I see you make a statement in your *précis* that the cheap blends bring discredit to Scotch whiskey?—That is so.

8842. Have you any suggestion to make as to how you might be protected from that discredit?—If a certain proportion of malt which was considered sufficient to give it the character of Scotch whiskey were diluted with patent still whiskey—looking upon patent still whiskey as a dilutant the same as water—then I think that we would have protection.

8843. But I gather from you that the flavour would really be the last test, and that you would be inclined to depend upon flavour?—Yes, that is the whole asset.

8844. You made the statement that the Inland Revenue could follow whiskey to the consumer if they liked under the present Act?—That is so.

8845. Could you tell us how?—The Inland Revenue at present have the right to enter any licensed premises and to investigate and take the stock if they want to. All the whiskey has to be moved by permit into any licensed premises.

8846. Now as to the effect of new pot still whiskies, I take it the evidence seems to be conclusive that if the spirit is a wholesome and good spirit, so far as the experience of the distillers goes, the new spirit does not have a bad effect upon those engaged in the distilleries?—That is the brand new spirit, but when it gets to six months old or a few months old it is very difficult to digest.

8847. You know that from experience?—Certainly.

8848. You have observed that yourself?—Certainly.

8849. Sometimes something goes wrong with your spirit and you get an ethery spirit?—Yes.

8850. Have you had any experience of the effect of that upon a consumer?—No, not personally.

8851. (*Dr. G. S. Buchanan.*) Could you get a consumer to try?—I should not think a consumer would try.

8852. (*Dr. Adeney.*) You have no reason to think that such spoilt whiskey with the ethery product in it is sold or gets into the market, and so gets to the consumer?—No, they could not sell the ethery product.

8853. That would be impossible?—Yes, quite impossible.

8854. Then in giving your definitions of whiskey I was not quite clear as to what you meant. In the first instance you spoke about patent still and pot still, but you gave no definition for those. Have you any definition for pot still whiskey?—Pot still whiskey is a whiskey which is made from malted barley in a still heated by direct fire.

8855-6. That is as far as Scotch whiskey is concerned?—Yes.

8857. What definition would you allow for Irish pot still whiskey? Would you exclude raw grains?—No, certainly not. I am not conversant with the Irish method.

8858. I thought you had in your mind, but I did not hear you express it, that you would base the definition of your whiskey in the first instance on the materials used?—No.

8859. Do you agree to that?—No, not to the materials used. I cannot say as whiskey that Scotch whiskey is different from Irish whiskey. The Scotch whiskey of commerce is what I was thinking of when I gave that definition.

8860. What about Scotch grain whiskey? Would your definition there refer to the materials used? Would you give the name of Scotch patent still whiskey to a spirit produced from molasses?—No.

8861. To what extent would you limit it?—I would limit it to cereals.

8862. (*Dr. Cushny.*) Do you recognise malt as the essential in Scotch whiskey?—Yes.

8863. Which may be diluted in two ways, either by the addition of grain——?—Or by the addition of water.

8864. And you think that a certain amount of dilution may be allowed of pot still whiskey and it still remains Scotch whiskey?—Yes.

8865. Would you limit that dilution of Scotch whiskey to Scotch grain?—Yes.

8866. Do you agree with the last witness that foreign spirit might be used?—I think Scotch whiskey should be made in Scotland.

8867. Would you allow grain spirit to be used—must it also be made in Scotland?—That is the view of our Association.

8868. Do you think that pot still can be drunk more diluted than patent still?—I think so, certainly. You get more flavour in the pot still and you can add more water to it than you can to the patent still.

8869. Do you think that is the general feeling that malt whiskey can be diluted more with water than patent still?—Yes.

8870. Do you think that would have any effect on the public health question?—Yes.

8871. It would be more advisable?—Yes, pot still whiskey well diluted.

8872. (*Dr. G. S. Buchanan.*) If what you were telling Dr. Cushny just now can be accepted, that forms an additional reason from the point of view of the consumer why he should know when he purchases whiskey whether he gets a substantial quantity of pot still product or not?—Certainly.

8873. You were telling Dr. Adeney that Lowland malt whiskey is very largely distilled by the aid of steam pipes?—Yes.

8874. Do you know, as a matter of fact?—I do not know as a matter of fact, but I understand that is so.

8875. The impression I gathered from some evidence given here was that exceptionally it was done—at one

or two distilleries only?—I may be wrong. I admit I am not speaking with knowledge.

8876. What you would like, as I understand, is that self malt whiskies, or blends of different malt whiskies, or all malt whiskies blended with not more than 50 per cent. of patent still spirit, should equally be entitled to the name of Scotch whiskey?—That is so.

8877. Under 50 per cent. of pot still product in a blend, it would be Scotch grain whiskey, as you put it—a Scotch grain whiskey blended, or something of that sort?—Yes.

8878. You would not consider it necessary to disallow the use of the word Scotch altogether, provided that the dominant factor of grain was mentioned? I am putting to you now the second case?—Yes.

8879. Do you think it really would greatly matter whether the grain was Irish, Scotch or English grain?—That is a difficult question for me. I am not a blender. My Association say it should be made in Scotland.

8880. Would you subdivide what you think might legitimately be called Scotch whiskey without any qualification? Would you desire, or would it be in the interests of the consumer, to subdivide that in any way—for example, to distinguish between all malt whiskey and a Scotch whiskey blended?—Certainly—Highland malt whiskey, Lowland malt whiskey, and Scotch whiskey.

8881. Would you think it desirable that some sort of definition should be given as to what constitutes Highland malt whiskey?—Yes.

8882. That is the geographical definition that you gave us this morning?—Yes.

8883. Purely geographical, or the fact that it must be pot still whiskey?—It must be pot still whiskey. All Highland whiskey must be pot still whiskey—malt.

8884. I do not know whether it was brought out which are the Highland distilleries which at present send out self whiskies. You do yourself, I think?—Yes.

8885. Is self whiskey from the Mortlach Distillery available to the public in London now?—No, it is not, unless they send direct to the distillery for it.

8886. The same holds for other distilleries in the Highlands?—Yes.

8887. They have a very good reputation, have they not, which is largely based on the self whiskey which they produce?—Quite.

8887*a*. Personally do you consider that your whiskey is improved by blending with grain?—If it was new or young it might do so.

8888. Young is rather an elastic term. What is it—five years?—Four to five years old.

8889. What do you say when it comes to eight to twelve years old?—Then I think it is better alone.

8890. But the public at present—at all events, the London public—for one reason or another are unable easily to get 12-year old self whiskey from the Highlands?—That is so.

8891. Can you tell us how a Highland distiller would be placed with regard to sending out whiskey bottled at the distillery and putting it on the market? He can bottle?—Yes, he gets an indulgence to bottle. He could set up a bottling warehouse.

8892. He has to set up a bottling warehouse?—Yes.

8893. Has that to be distinct from the distillery in any way? Are there any special difficulties with regard to that?—I do not know. I have not got one, but at present he has to get a special licence for that. We are only allowed to send out nine gallons in a cask in the distillery.

8894. You would have to have a special licence for bottling?—I think so.

8895. If you bottle, you would be bottling at the distillery, under the supervision of the Excise?—Yes. The duty-paid whiskey at the distillery is under Excise supervision.

8896. But you would not have the right more than anybody else to state that the whiskey you send out had been bottled at the distillery or bottled in bond?—No.

8897. (*Dr. Adeney.*) Would you like to have that right?—We would like to have that right.

8898. You think it would be a great advantage to you?—Yes, especially for export purposes.

8899. (*Dr. G. S. Buchanan.*) At all events, it would enable, for example, the Londoner who may have by this time very considerable doubts as to the meaning of any description he gets on the label, to be sure that he was getting whiskey from a particular distillery?—Certainly.

8900. You give in your *précis* a calculation with regard to the relative cost of patent and pot still whiskies?—Yes, on page 8.

8901. There is one point I wish to ask you about that. I notice in one case, in the case of the pot still whiskey, you deduct 2½d. for loss in bond; and in the other case, the patent still whiskey, you do not deduct the 2½d.?—12 per cent., I think, is deducted from both.

8902. Is it?—Yes, 1½d. per year. The 2½d. is the difference between the two, the loss in bond on the value of the spirit. I allow for loss in bond an amount equal to 2½d. a gallon.

8903. You mean that it is 2½d. more loss than if it had been patent still spirit?—Yes. Assuming that the consumer gets the same quantity, the 12 per cent., the 2½d. is the difference per gallon.

8904. You tell us on the same page that in the Highland distillery you were using barley which was about 6s. more than 28s.?—Yes, 34s.

8905. That is per 448 lbs., and that also you were using at the time, a few months ago, either Danish, Island or Norfolk barley in addition to the best Morayshire barley?—Yes.

8906. And none of the Black Sea or Danubian?—Yes.

8907. Can you say that for all the distilleries?—For a good many distilleries—the majority.

8908. You tell us at the early part of your *précis* something with regard to the use of peat at the kiln May we take it that peat as a fuel is essential to the drying of all the malts that are used in making Highland whiskey?—Certainly.

8909. You can say that for the whole range?—Yes.

8910. It may be a little more or a little less?—Yes, according to the taste of the distiller.

8911. They all use peat?—Yes.

8912. It is an essential factor in the flavour of Highland whiskey generically?—Certainly.

8913. You cannot say whether that must be extended to Lowland malt distilleries?—Some Lowland malt distilleries, I think, use peat and some do not, according to the whiskey they want to get.

8914. Will you give us the reference to Morewood, which you refer to at the end of page 8 of your *précis*? I do not quite understand that?—Morewood's book was published in 1838, just after the introduction of the Coffey still, and he goes on to describe it in this way: "If, therefore, as is generally supposed, that all bad flavour arises from long and violent exposure of the wash to the action of the fire, this process is calculated to obviate entirely that injurious effect and to obtain a spirit wholly divested of any empyreumatic or disagreeable taste."

8915. What is that applying to?—He is talking about the patent still. He says the patent still takes away all the flavours, and he also, again, in speaking of illicit distillation further on, says: "In making the malt and in the mode of distilling, the flavour is altogether formed. No machinery is employed in the still to keep the liquid from burning, and hence the empyreumatic taste and smell are communicated to the liquor and also to the bagging, as it is called, of oatmeal and hot water." I suppose they did not strain their mash very carefully. He states that on this the reputation of the illicit whiskey depended.

8916. You think the actual caramelising by direct fire heat is an important factor?—Certainly.

8917. In the manufacture of the whiskey it is, as you put it here, a misfortune as far as the pot ale is concerned?—The pot ale is the misfortune—the trouble.

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8918. Does the pot ale, as a matter of fact, give distinct evidence of caramelisation?—Yes; it is pot ale. It is darker in colour.

8919. Is there direct evidence that caramel causes that to take place?—If we did not keep a rummager going in the bottom of the still, the still would burn. It burns on to the bottom.

8920. But you do keep a rummager going?—Yes, but in the smuggling days they did not, and this man says that is the way they got their fine flavours.

8921. I had rather got away from Morewood. You say that you should caramel or burn the wash. I do not quite understand that. As a matter of fact, is there any actual direct contact of the flame with the side of the still?—There is the copper bottom in between—within the copper. Of course, we use a very strong fire for running off the wash.

8922. (*Dr. Horace T. Brown.*) You tell us that the views you have just expressed are those of the majority of the Malt Distillers Association?—Yes.

8923. Is that majority a large one, may I ask?—Yes, I think so—a considerable majority.

8924. Could you give us any idea of the size of the minority?—I could not say. It is difficult to ascertain.

8925. I want to put to you a few questions about the direct fire heat. Do you go so far as to exclude from the category of pot still Scotch whiskies those made in a pot still heated by steam?—That was excluded in the last Committee of 1891. According to the finding it was a direct heated still.

8926. Can you give us the reference to that?—Yes, I will refer you to their report. It is on page 15.

8927. "Whiskey is still chiefly made in pot stills by the application of the heat of a fire to the fermented liquid"; but that is not an exclusive definition?—Then later on there is another, I think. That is on page 4.

8928. "Distillation of spirits. Spirits differ from wines by being obtained through distillation of the fermented liquids. The stills are of three kinds: (1) Pot stills to which fire is applied during the distillation of the fermented liquid called 'wash.' (2) Pot stills heated by fire or steam, used in this country, for rectifying spirits; and abroad, by steam only, for the direct distillation of the fermented liquid." Do you think that excludes the steam-heated pot still?—It seems to according to that.

8929. (*Dr. Adeney.*) You draw that inference?—Yes.

8930. (*Dr. Horace T. Brown.*) I should like to ask you a few questions about that. You maintain that there is a considerable amount of caramelisation goes on?—Yes.

8931. That is probably that the heat at the bottom of your still is greater when you have an open fire than when you have steam boiling by a steam jacket?—Yes.

8932. Are you aware that the same sort of controversy has gone on in breweries as to the efficacy of steam as against open fire boiling, and that whenever experiments have been made by the same brewer, as far as my knowledge goes, there is absolutely no difference to be found in the nature of the product or even in the temperature of the lower part of the copper?—No, I am not aware of that.

8933. I have seen those experiments myself?—I take it from you.

8934. I will go still further, if you please. You would exclude from your definition of Scotch whiskey a pot still whiskey made in a steam-heated still? Is that so?—That is so, but not as a Scotch whiskey. I talked of a Highland whiskey, I think you will find I think you will find I was speaking of the process of making Highland malt whiskey.

8935. (*Dr. Adeney.*) You do not refer to Lowland?—No.

8936. (*Dr. Horace T. Brown.*) Do you consider Scapa whiskey Highland whiskey?—Yes.

8937. Do you know that Scapa is made in a steam-heated pot still?—Yes.

8938. Is Ben Morven a Highland Distillery?—I am not sure where Ben Morven is.

8939. I am informed that the Ben Morven Distillery has steam-heated stills, and also Glenmorangie, which are Highland distilleries?—Yes.

8940. Where they have steam-heated stills?—Yes, those are the only two.

8941. Which are the only two?—Glenmorangie and Scapa.

8942. I will take those two. Would you rule those out—although they are, I believe, whiskies having a distinct Highland flavour—from the category of pot still whiskies?—No. I think the majority use direct fire, and evidently that is the proper method by which it is made.

8943. (*Dr. Adeney.*) You could not rule it out if it had the characteristic flavour, according to your definition?—No.

8944. (*Dr. Horace T. Brown.*) You have told us that in the Highland stills there are no line arms and no fractionating apparatus?—That is so.

8945. Do you not think that some of those purifiers we saw in the Highland distilleries have a fractionating effect?—I think not.

8946. Why are they there?—To keep the stills from coming through foul. That is why they began to use them.

8947. You think they have no fractionating power at all?—There is nothing in them.

8948. Is your general argument to the effect that there is no fractional distillation in the pot still?—In the sense that there is no analyser.

8949. Do you contend that all the bye-products from fermentation come over from the wash ultimately into the whiskey?—In the first distillation they do.

8950. But in the second distillation?—That is differentiated at the end of the worm.

8951. There is some fractionation going on?—There must be, but there is no apparatus in the pot still to fractionate.

8952. I see that you advocate that the pot still whiskey in the blend shall not be less than 50 per cent.?—That is so, but no definite figure has been fixed.

8953. But that is the recommendation of your Association?—No. If you will read my *précis* you will see that, at page 4, it says: "The Highland malt distillers have no objection or antagonism to the grain distillers' products if the latter is kept in proper proportion. Since the question has been acute, our Association consistently offered to agree to a 50 per cent. of malt and grain being recognised as Scotch whiskey. This overture, however, has not met the consideration I think it deserves."

8954. Was that your recommendation?—That is the overture we made.

8955. That is the overture you made—that 50 per cent. of malt should be considered Scotch whiskey, and anything lower than that should not be considered Scotch whiskey?—Yes.

8956. Supposing you take 50 per cent. of Lowland malt at 2s. 6d. a gallon, is that to be put on the same footing as a blend showing 50 per cent. of Highland malt, worth perhaps 5s. a gallon?—It would have to be, according to that.

8957. Now let us take another case. Supposing we have two blends, call them No. 1 and No. 2, No. 1 containing 40 per cent. of Highland malt and 60 per cent. of fine old grain, and No. 2 containing 50 per cent. of a cheap Lowland malt and 50 per cent. of a new and perhaps inferior grain. You see that No. 2, according to your definition, although it is, no doubt, much the inferior article, may be sold as a Scotch whiskey, whereas No. 2 would not be entitled to be called Scotch whiskey at all?—My view of Scotch whiskey is this—that malt pot still whiskey should be allowed to be diluted with a certain arbitrary quantity of grain, but that it should not be so much diluted as to lose the character of Scotch whiskey.

8958. But your Highland malt would surely stand more dilution than your Lowland malt?—That is so.

8959. Can you establish a standard that would be fair to both of those?—That is what we have come here to see about.

8960. Do you think such a limitation as that would be to the public benefit? Take the case I have just

mentioned, where a superior article would not be allowed to be sold as Scotch whiskey at all?—That is rather a difficult point. There is a general feeling that something should be done. I do not think that the better class of drinker needs protection at all, but I think myself that the poor man wants protection. A blend such as you are speaking of, with 50 per cent. of malt and the rest grain, is what you would say would come into the category of the better-class drinker. The man we are thinking of is the man who gets 5 per cent. of malt and 95 per cent. of grain.

8961. I am putting this case of 40 per cent. of malt, and there you have a whiskey that you could not sell as Scotch whiskey, if your definition were accepted. It would be so difficult to establish a standard that would be fair to both your Highland and your Lowland?—That is so.

8962. (*Dr. G. S. Buchanan.*) If 50 per cent. of malt were the limit, and you had a blend of 40 per cent. of Highland malt, that would be an excellently good whiskey, and a high-priced whiskey in the grain class, would it not?—Yes.

8963. On the other hand, if it was an advantage to the trader that with that 50 per cent. limit he could call it Scotch whiskey merely without declaring the grain, then he would go a little further, and put in a little more malt and bring it up to the Scotch whiskey limit?—Yes.

8964. (*Dr. Horace T. Brown.*) You refer to the high-priced malts which you are using in the Highlands now?—Yes.

8965. This is rather an exceptional year, is it not?—Yes.

8966. There is a greater difference now between the Danubian barleys, of which you speak, and your Scotch and English and Danish barleys than there usually is?—Yes; but still there is always a considerable difference.

8967. You very kindly showed to us when we were there some ethery whiskey, which was of great interest to us?—Yes.

8968. You refer to it in your *précis* as being an example of a whiskey made from an inferior grain?—Yes.

8969. Can you tell us what that grain was—was it Scotch, English or Danish?—It was probably local grain.

8970. It was a high-priced grain?—No, it was local grain; it might have been a high-priced grain, but damaged. I think there are two forms of that ether, one probably produced by some error in fermentation, by using impure yeast and another form I think may arise from the malting floors, but that has not been investigated. At any rate, this year it has been prevalent in the north in whiskey that is made, or probably made, from grain which was damaged.

8971. Which did not germinate properly?—No, which had been germinated before.

8972. Or which did not germinate on the malting floor?—Yes.

8973. There is an inference which you appear to draw in those remarks, that it is not an advantage to use the cheaper Black Sea and Danubian barleys?—Not from our point of view.

8974. But would it not be better to use those rather than such grain as you have been speaking of, because they are sound barleys?—They are perfectly sound, but the labour and the cost of your fuel are the same in both.

8975. The inference from your remarks is that it was a damaged barley which gave rise to the ethery spirit, and, therefore, that the cheaper Danubian barleys may be superior in many respects to the barleys of which you are speaking now?—There is another point about that, that from these light Danubian barleys you would never get the same quality of spirit from our point of view. You do not get the same thickness and body in the whiskey.

8976. At the same time some of your distillers use them, do they not?—Sometimes.

8977. (*Mr. Guillemard.*) In your supplementary *précis* you say that the foreign trade in Scotch whiskey is growing, and that you naturally wish to encourage it?—Yes.

8978. Then in the next paragraph you say that nothing should be exported which cannot legally be sold for home consumption. I do not know whether you were in the room when I was putting questions to Mr. Nicholson, but after what I said then would you explain exactly what you mean by that? What is it that can be exported now which cannot legally be sold for home consumption?—There can be exported a mixture of British and foreign spirit.

8979. You say, "Which cannot be legally sold for home consumption," but it can?—Can it be sold for home consumption?

8980. Yes, perfectly well. That is the point I wanted to put when I was asking questions of Mr. Nicholson. What the regulation says is that these spirits may be blended in bond for export abroad, but may not be blended in bond for home consumption. Outside bond they can be blended, and, having been blended outside bond, they can be sold perfectly legally?—That I did not know.

8981. Your expression "legally sold" does not apply. I did not know whether that was your point?—I could not hear what you were putting to Mr. Nicholson.

8982. In writing your *précis* you were under the impression that the regulations allowed some spirits to be exported to America which could not legally be sold in this country?—Quite so.

8983. I put some questions to Mr. Nicholson this morning to bring out the view that that apparently was the idea of the trade?—Yes, it is so.

8984. It is quite a wrong idea?—Yes, we had some correspondence with Somerset House on the subject.

8985. Not on that subject, I think?—Yes, I think there was some. It was some time ago, when I was Chairman of the Association.

8986. The correspondence that you showed me refers to a different thing?—Yes, this was with the Customs.

8987. This is the point I put to you. Are you not confusing in your mind two things? British and foreign spirits are not allowed to be blended in bond for home consumption, but they are allowed to be blended outside, and they are allowed to be sold?—Yes.

8988. What is exported to America is a blend of foreign and British?—Yes.

8989. You say in your *précis* that such a blend of foreign and British cannot legally be sold in this country, but they can?—That I was not aware of.

8990. Does that affect your position with regard to this matter?—No, because I think that Scotch whiskey should be made in Scotland.

8991. Does it affect your position in wishing the blending of foreign and British spirits to be prohibited?—Certainly.

8992. You still wish it to be prohibited?—Yes.

8993. For what reason?—Because Scotch whiskey should be made in Scotland, and if it is mixed with foreign spirit it is not Scotch whiskey.

8994. We have had this so many times. If foreign spirit is blended with British spirit in bond and exported it must be exported under the description which says it is a mixture?—Yes. I do not think, as a matter of fact, it is done at all, from what I can hear.

8995. What I want to know is what is the damage done to the trade?—If a mixture of British and foreign spirit is exported as Scotch whiskey.

8996. But it cannot be under the regulations?—Then the contention would fail.

8997. What you put forward would fail?—Yes.

8998. (*Chairman.*) If it were sold abroad, and you say something with regard to some correspondence as of Scotch whiskey?—Yes; it would be very damaging to the export trade.

8999. And even in anticipation you want to prevent that?—Certainly.

9000. (*Mr. Guillemard.*) Then I think you wish to say something with regard to some correspondence as to getting a certificate?—Yes. We ask for a certificate to be granted by the officer in charge of the station that the marks on these casks were as stated.

9001. Will you read your letter to the Commissioners of Inland Revenue?—Yes. "Mortlach, Glen

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Livet Distillery, Dufftown, N.B. To the Honourable the Commissioners of Inland Revenue, Somerset House, London. Honourable Sirs,—On exporting spirits we find that some of our customers desire to get the certificate of the Inland Revenue officials of this country as to the correct specification of the goods. We therefore beg to request that when we desire to get such certificate the proper officer on our warehouse be authorised to sign it. We will prepare the specification and the certificate so that the officer will require only to compare and sign it. The specification will include the age, quantity, and strength of the spirits.—We are, honourable Sirs, your faithfully, George Cowie and Son." That was simply marks on the casks. We wished a separate certificate. They go under bond on to the steamer.

9002. Is this for export?—Yes.

9003. The assumption that underlies your request was, was it not, that the Inland Revenue officials would be able to verify that statement and to vouch for it?—To give a certificate that the marks on the casks were correct.

9004. Is it your view that the Inland Revenue could give such a certificate with full knowledge?—Certainly.

9005. (*Dr. G. S. Buchanan.*) What were the marks on the casks?—Supposing it was a cask going to America it would be numbered so-and-so, the consecutive number of the year, say No. 3007 of 1898, or something like that.

9006. Merely as to the date?—Yes, merely as to the date, and the mark on the cask.

9007. Was there any statement as to the whiskey?—No; just the marks on the end of the barrel. Of course, it goes to the Customs under bond, and then it is shipped.

9008. (*Mr. Guillemard.*) I could understand your wanting the certificate, but are you sure that in all cases the Excise have such knowledge of the preparation and the production of each distillation that they could give a reliable certificate of the age, quantity and strength?—Certainly; it is all in their books.

9009. I think there might sometimes be difficulty about that. The Excise have hitherto not given certificates on the understanding that they could not always give them with knowledge. I see you say in your letter: "We will prepare the specification and the certificate so that the officer will require only to compare and sign it"?—Yes.

9010. The reason possibly that the Excise do not give certificates generally is that they know that such a certificate once given would be accepted by everybody as a genuine certificate, and they have serious doubts whether such a certificate would always be a reliable certificate?—Why?

9011. That may be their view?—They have to send a despatch with the package to the Customs at the shipping port. I only asked for a certified copy of this document.

9012. Now, I will ask you a question as to the certificate of age. Are you asking that this should be given as a general rule?—This is from our own distillery warehouse.

9013. We cannot treat you separately. Take a blend?—I would put the minimum—mark the lowest age of the whiskey.

9014. That is getting on to debateable ground. Would everybody accept that as the age?—They have to put on the lowest age of the whiskey supposing it is a blend. Supposing we export a cask of whiskey, and mix two different years together at a distillery warehouse we can only have our own product, the product of that distillery. If we mix two casks together for exportation we have to mark on it the youngest year, and we call it by that year.

9015. But what if you mix five or six?—The mark has got to be the age of the youngest whiskey.

9016. That is the regulation?—Yes.

9017. But what, as a matter of fact, is the age of the blend?—The age is the age on the cask. All we want is the mark on the cask.

9018. If you want the Excise to certify to a particular fact, say, the age of the spirit, or the age of a blend of six different whiskies, how do you get at it?—The average age. Add up the years and divide it by six.

9019. I am not convinced that that is really very reliable. What is the certificate in the case of those five blends? What do you wish the Government Department to vouch for as genuine, so that other people may accept it as genuine? What are you going to put on that blend of five whiskies?—What age would the whiskies be?

9020. Take any age. What system would you have?—The average age. From a distillery warehouse we have to put on the youngest age.

9021. Do you ask that the certificate of age should always be given? A Government Department cannot discriminate?—Then they are under a different rule altogether in this question.

9022. From other distillery warehouses?—Yes. All distillery warehouses are under the same.

9023. Your warehouse is the same as anyone else's?—No, it is a distiller's warehouse, and when we export from a distiller's warehouse we have to put on the cask the youngest age and call it all that age, whereas in a general bond it is a different thing; that is to say, we are kept rather more tightly in hand as distillers.

9024. I know that. I am trying to make my difficulty clear to you. The Commission were trying the other day to find out what could properly be described as the age for a blend, and I do not think we got any satisfactory explanation. I have not got any clear idea of what the age of such a blend is?—I should say two years. Either add up the years and take the average, or call the blend the age of the youngest whiskey you put in.

9025. But still you admit it is a debatable point?—It is, but not on this point.

9026. It depends on all kinds of things?—Not in the case I have put before you now.

9027. Is your grievance that the Excise would not treat the particular sample of a particular lot of spirits sent out from your distillery in a particular way?—The only thing we ask is this: that they should give us a copy of the permit that went with this cask to the Customs at Glasgow, and let it go abroad; that is the whole thing.

9028. You ask that an officer of a Government Department should sign a statement that the particular spirit was a particular age?—The age is on the cask.

9029. But that is a very different thing. The age on the cask is not certified?—We cannot put anything else into that cask except whiskey of that age, and we have to put on the end of that cask before it is sent to the ship the age of the youngest whiskey that is in it. We do not want the age; we want simply to have a copy of that certificate to go along with our documents. That is the whole thing. We do not want any certificate as to age.

9030. (*Dr. G. S. Buchanan.*) Would you mind telling us, apart from the Inland Revenue question that we have been discussing, in the reckoning of age and taking an average age of, say, five whiskies, do you take account of the volume?—You would have to.

9031. You would do so?—Yes; that is where the difficulty comes in.

9032. But if you had different quantities of each of, say, five whiskies, and mixed them all in different volumes, would you, in calculating the average, take account of the different volumes?—Yes.

9033. (*Dr. Horace T. Brown.*) May I suggest to you the proper way? You know the percentages in the composition of your blend?—Yes.

9034. You multiply the percentage of each component by its age in years, and divide the sum by 100, and that will give you the true average age?—Yes.

9035. (*Dr. G. S. Buchanan.*) That is done, is it not?—I believe so, but I am not a blender. All the whiskey that goes out from us has to have the youngest age put on the cask.

9036. (*Mr. J. Y. Buchanan.*) Is your contention, as a distiller, that you are in a special position?—Yes.

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9037. That your whiskey is in a cask which the Excise man knows all about?—Yes.

9038. And you have to put on the cask the age of the youngest whiskey in it?—Yes.

9039. And you wish that to be certified?—Yes.

9040. It has nothing to do with the blends at all?—Yes, it is pure whiskey.

9041. (*Dr. Adeney.*) With regard to this proposition of yours as to the minimum limit of malt in a blend to be called Scotch whiskey, practically is the real difficulty the fact that the Lowland malt is less strongly flavoured than the Highland malt? Is that a practical difficulty in that question? Of course, theoretically we can see that it is?—I think that, value for value, the Highland malts approximate so near to the Lowland malts now in price that there would be no real difficulty. There are only two ways of regulating it, one is by getting a Foods Department to look after these things, who would make a scale from time to time, and the other is for the Excise to do it.

9042. Would you support the suggestion that has been made, that there should be a Reference Board for this?—Certainly, that is wanted badly.

The witness withdrew.

Mr. T. Mackenzie.

Mr. Thomas Mackenzie, called.

9043. (*Mr. Guillemard.*) I believe you are Chairman and Managing Director of the Dailuaine-Talisker Distilleries, Limited?—Yes.

9044. You appear as representing your company, and also representing the North of Scotland Malt Distiliers' Association?—Yes.

9045. What distilleries have you under your control?—The Dailuaine-Glenlivet Distillery, the Imperial Glenlivet Distillery, and the Talisker Distillery, Island of Skye, and we had the North of Scotland Distillery at Aberdeen until it was burnt.

9046. Take the Dailuaine-Glenlivet first. What whiskey do you produce there?—Pure malt pot still.

9047. As to the product of your distilleries, what do you do with it as a whole? Whom do you send it to mostly?—We sell to the dealers, and to the blenders at home.

9048. Do you sell most of it to be sold as unblended, or does the bulk of it go for blending?—Chiefly for blending, and also a considerable quantity is used as a self whiskey unblended.

9049. You have no objection in itself to the blending of a pot still and a patent still product?—No.

9050. I think you have definite views as to the description that ought to be affixed to the whiskey according as it is pure malt, or patent, or a blend?—Yes.

9051. How would you define pure malt whiskey?—The pot still as compared to patent still?

9052. Yes. What would be the description you would wish to put on the pure malt when it was sold?—Either patent still Scotch whiskey, or pot still Scotch whiskey, and allow the public to judge for themselves which they consider the best.

9053. That is to say you would have no objection to patent still spirit being sold as patent still Scotch whiskey by itself?—No.

9054. When you got a blend what would your view be as to what the blend ought to be described as?—Blended Scotch whiskey.

9055. Then with regard to the word "Scotch" that runs through all those, would you define that by reference to the materials, or by reference to the country where the manufacture took place?—The country, and the materials to a certain extent. Nothing I think should be described as Scotch whiskey unless it is manufactured from cereals with a proportion of malt for the conversion.

9056. How does Scotch come in there? Must the cereals be grown in Scotland really?—Not necessarily, but the whiskey must be manufactured in Scotland.

9057. The place of manufacture is really what gives the title of Scotch in your view?—Yes.

9058. Then with regard to your blend, what would your view be about the suggestion that has been made to the Commission several times, that it would be possible to make a standard defining the proportions of pot still and patent still that might be allowed?—I think it would be better if there was a minimum of pot still whiskey.

9059. Could you suggest a minimum?—Possibly 25 or 30 per cent.

9060. That represents, I suppose, the minimum proportion that is used now?—About the minimum proportion that is used now; there are exceptions, of course.

9061. If that standard was laid down, or made a legal standard, it would practically be stereotyping, would it not, the proportion which is now being used?—As a minimum.

9062. Do you think that would be an advantageous thing to do to prevent possible changes in manufacture that might come later?—That is very difficult to say. I think as things exist at present it would be an advantage, but one cannot foresee the future.

9063. Would you think it possible that circumstances might change in the future so that it might be rather awkward to tie the standard down as tight as that?—It might possibly be.

9064. But still you are in favour of it at the present time?—Yes.

9065. Then with regard to the ageing of whiskey, are you in favour of the compulsory keeping of whiskey in bond for any period?—Yes, very strongly.

9066. Both pot and patent?—Both pot and patent.

9067. How long would you suggest?—At least two years, and longer if possible.

9068. What would be your reason for that? Would public health enter into it at all?—I think so.

9069. You think it would?—I think that new whiskey must cause drunkenness more quickly.

9070. I will leave that for some medical member of the Commission?—I am not a professional man. I only speak from what I have seen.

9071. Apart from public health, is there any reason you would put forward in favour of the two-year limit?—An older spirit is more palatable, and it must be even to the advantage of the trade to maintain a standard of quality.

9072. If the older spirit is more palatable, as it is, will not the public demand have the same effect as if you laid it down that you must necessarily keep it in bond for a certain time?—I do not think so. In certain quarters, the lower quarters of the large towns, there is no doubt a very large quantity of quite new grain spirit consumed which I do not think can possibly be good for anybody to drink.

9073. That would be prevented?—Yes, that would be prevented if it were two years old.

9074. Then I think you have some views about the reduction of spirits in bond, have you not? It is a small point, but would you like to state your view?—I think it would be to the advantage of the public if distillers and dealers were allowed to reduce the whiskey in bond. The whiskey could be permitted, pot still, patent still, or blended as the case might be, and the permit would thus be a certificate or guarantee to the purchaser that he got what he ordered.

9075. From the same point of view you would like the Excise to issue a certificate of the age and denomination of spirits?—Yes.

9076. At what stage would you like that issued?—For exportation.

9077. But is that only for exportation?—Yes. On the other hand in obtaining goods from bond the permit would be sufficient.

9078. For home consumption?—Yes, if the various qualities are differentiated—if pot still is differentiated from patent still and a blend differentiated.

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9079–80. Do you think that the benefit of a permit of that sort would really get through to the consumer of the spirit? Of course, it might be a great convenience to the trade?—Even to the small trader.

9081. But as to the man who buys over the counter, is it going to do him any good?—That is the great difficulty. But still, the small retailer would then be put in a position to purchase his whiskey from bond, no matter how small the quantity was, so long as it was up to the legal quantity allowed to be cleared from bond.

9082. You are putting a case of an honest retailer who wishes to buy spirit from an honest distiller?—I am putting the case of a retailer who wished to buy spirit from anybody in the trade. His permit would then be a guarantee as to the denomination of the spirit which he was buying.

9083. Do you think the benefit of that would go beyond the small retailer?—I think it would gradually do so. I think the man in the street would come to get it.

9084. That is what puzzles me a little. It seems to me there is a step you have to get over there?—It is possible to do so, and it would be costly, I am afraid; but still, it would be a step in that direction.

9085. (*Dr. Horace T. Brown.*) Although you recommend that not less than 30 per cent. of malted barley should be used in a mash, you do not make a very strong point of that, do you?—I think it would be very much better if a malt were used in the mash sufficient for the conversion of the starch.

9086. You are aware that a much less proportion than 30 per cent. of malt is being used, and has been used, in the past?—I believe that grain whiskey has been made without malt being used at all.

9087. You are speaking now of a new process altogether?—I am referring to the question of sulphuric acid being used in the conversion.

9088. I am ruling that out for the moment. Do you think it is wise to confine the next generation to using 30 per cent. of malt? You know that malts can be made with very different diastatic properties—that the action on the starch of the grain of one malt is different from that of another made in a different way?—Yes.

9089. Do you think we know sufficient about the whole thing at present to stereotype 25 per cent. to 30 per cent., or any percentage of malt?—I stated 25 per cent. to 30 per cent. because I believe the grain distillers of the present day are willing to agree to that.

9090. The grain distillers of Scotland?—Yes.

9091. But is it not a fact that malt is used to some extent in the mash not only to saccharify the starch, but also for the purpose of yeast-production by some distillers who manufacture yeast?—Yes.

9092. That is one of the reasons why a comparatively large proportion of malt is used?—Yes, that is one of the reasons. We never at our own grain distillery at Aberdeen used less than 25 per cent. of malt at any time.

9093. (*Dr. G. S. Buchanan.*) Do you consider that malt in the mash of the grain spirit is very material from the point of view of flavour?—I think it improves the grain whiskey. Grain whiskey made with malt is very much better than grain whiskey where sulphuric acid is used in the conversion.

9094. True. But assuming that 30 per cent. of malt was enough to convert fully, would it make much difference to the flavour if you had over 30 per cent., say, 40 per cent. of malt in the mash. Would it improve the flavour?—It would alter the flavour, but whether it would improve it in a patent still I question very much.

9095. I gather from your *précis* that you consider that patent still whiskies produced in Scotland or England or Ireland are very much akin?—Yes.

9096. You say they are so much so that an Irish grain might be substituted for an English grain, and English and Scotch grains might also be substituted in a similar way without disturbing very much the style of the blend?—Yes.

9097. So long as the ages were suitable, but in no case could a pot still Irish be substituted for a pot still Scotch without completely upsetting the character of the blend?—No, not that I am aware of.

9098. Does that lead you to agree with the suggestion we had from the last witness, for instance, that there should be a definite limit to the amount of malt whiskey allowed in Scotch whiskey? I do not quite gather your position there with regard to the 30 per cent. of malt that you have spoken of?—In a blended Scotch whiskey.

9099. Was that 30 per cent. of malt whiskey in a blended Scotch whiskey?—Yes.

9100. Would you regard the ageing up to a certain extent as a part of the process of the manufacture of a good whiskey?—Yes.

9101. There is one point I want to put to you with regard to the reducing of whiskey in bond. Is the main point of allowing the reduction of whiskey in bond that you suggest that the retailer, the publican for instance, should be able to get the whiskey exactly as he is going to sell it?—Yes.

9102. So that he should not tamper with it, or that he should not alter it in any way?—Yes, that he should have no difficulty, and that he should be in a position to clear his casks from bond, take the whiskey into his retail shop and dispose of it right away.

9103. As it is?—Yes.

9104. With an official description upon it to a certain point?—With a permit.

9105. So far as that can be controlled?—Yes.

9106. Does your Company, the Dailuaine-Talisker Company, sell blends to retailers?—Not to retailers. Our trade is entirely confined to dealers and blenders.

9107. Do you encourage the sale of the self whiskies from your distilleries as well as the sale to blenders?—We do.

9108. You do as a matter of fact sell self whiskies, especially from Talisker, do you not?—And Dailuaine. We sell from all our distilleries.

9109. Can they be had as self whiskies in the London market?—Yes.

9110. (*Dr Adeney.*) I gather from the questions that have been put to you that you see the difficulty of putting a legal minimum to the proportion of malt in a blend?—Yes, there is very great difficulty.

9111. Do you think it would assist at all if the blend came to be more known by the name of the blenders rather than simply to be called Scotch whiskey? I am now thinking of the proprietary blends we see advertised in London?—How do you mean?

9112. What I mean to say is, would it not be a more practical way of protecting good blends, to label them as proprietary blends rather than simply as Scotch whiskey?—It would be a very good thing for those who have now got a very good name before the public, but what about those who have not?

9113. Clearly?—What about the beginner?

9114. They would have to follow in the footsteps of those who had gone before, and if they turned out a good article, with a flavour they could depend upon, they would get upon the market?—You mean to leave the thing as it is?

9115. I mean to leave it to depend upon flavour and describe it by the name of the maker. Then possibly in the export trade there would be a minimum danger of mis-description?—How would you describe a blend?

9116. We have been told there are proprietary blends known by the name of the blender, and these are good blends?—Yes.

9117. I take it if they are good blends they would carry the reputation of Scotch whiskey to America and the Colonies, which they do?—Yes, which they do.

9118. I take it Scotch malt whiskies also may be relied upon as upholding the reputation of Scotch whiskey, but we have been told that there are cheap blends which are a discredit to Scotch whiskey?—Yes.

9119. How would you protect the export trade from those blends?—By the Excise giving a certificate along with it to the exporter.

9120. Would that be a complete protection?—I think it would be accepted by the Colonies and by foreign countries. At the present moment Australia will not accept whiskey under two years old, and the Australian Government are very desirous of ob-

taining some credential that the whiskey that is exported is two years old. All that is required is simply a certificate with the whiskey giving the minimum age, and if it is a blend stating the minimum age.

9121. Would that be a protection as to flavour?—Not as to flavour.

9122. I am afraid not. That is why I threw out the suggestion that it would be possible to label a whiskey by the name of the distillery or of the blender or the firm of blenders, in addition to the word Scotch or Irish, according to the country of origin?—That is done at present.

9123-4. Is not that really a better protection than what you suggest, namely, a minimum proportion of malt in the blends?—Perhaps it is, in a way.

9125. However, would it be possible as a practical matter to conduct all export in bottle?—That all depends on what your export customer demands.

9126. It would depend upon the customers?—Certainly, very much. The Australian markets prefer to receive their whiskey in bulk, and to have the labour of bottling it themselves on the other side.

9127. Does that hold with the American trade too?—Yes, so much so that the Scotch firms have had to open houses in Australia for the purpose of bottling the whiskies there.

9128. Can you give us any experience of the American trade? Is that in a similar state?—Not as far as I know, but to some extent it is, and there is every indication, I should say, of its becoming so. Naturally the American wants to have as much labour done by his own people as possible; and it is the same with the Australian.

9129. I am trying to see if there is any practical way in which the reputation of Scotch whiskey may be protected?—Yes. *Mr. T. Mackenzie.* 18 May 1908.

9130. (*Mr. J. Y. Buchanan.*) We have heard about the various methods of protecting, and what occurs to me is this. Might not the buyer be allowed to do a good deal for himself on the old principle of *caveat emptor*? We may make a regulation to make the whiskey a certain age, but let the man buy what he likes best?—Yes.

9131. Do you think that would suit the whiskey trade quite well?—As regards the retailing of whiskey, I think it has not done so so far, I mean to say that in some lower districts of the large towns the customer has to take what he can get.

9131*a*. But he may decline to drink it?

9132. (*Dr. Adeney.*) Practically he is at the mercy of the retailer?—To a great extent, I think so.

9133. (*Dr. G. S. Buchanan.*) His only way is to decline to drink?—He has not done so so far.

9134. (*Mr. Guillemard.*) What would be your view on a point we have had some evidence upon this morning? Would you be in favour of making regulations that the operations that are allowed in bond should be identical whether the spirit is to be exported or whether it is to be drunk in this country?—I think so.

9135. You would?—I think so.

9136. Not only with regard to the mixing of British and foreign spirits, but in all respects?—Yes, in all respects.

9137. For instance, in your own business you have not anything in your mind that you are permitted to do for export that you could not do for home consumption?—No.

The witness withdrew.

(Adjourned to to-morrow, at 12 o'clock.)

SEVENTEENTH DAY,

Tuesday, 19th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Colonel GEORGE SMITH GRANT, called. *Col. G. S. Grant.* 19 May 1908.

9138. (*Mr. Guillemard.*) I believe you are sole partner of the firm of George and J. G. Smith, of the Glenlivet Distillery, Glenlivet?—That is so.

9139. That is a district that is very closely identified with whiskey, is it not?—Yes.

9140. How long has your firm been in existence there?—Since 1824.

9141. You own a distillery there?—Yes.

9142. When was that started?—1824.

9143. When you first started were your firm the pioneers of distilling in that district?—My grandfather was the first distiller in Glenlivet.

9144. In virtue of that do you make any special claim in connection with the name of Glenlivet? Do you think you have more right to it than other firms?—Yes, we do.

9145. How far would you go in that connection?—We are the only firm entitled to use the word "Glenlivet" without being in conjunction with any other word or any other distillery.

9146. You say "allowed." Do you mean legally allowed?—Yes.

9147. How do you prevent other people using it?—If any other person were to use the word "Glenlivet" without adding the name of the distillery to it he would be proceeded against.

9148. You not only appear on your own behalf, but, I believe, you appear as President of the North of Scotland Malt Distillers' Association?—That is so.

9149. Do you represent the whole of that Association, or only the majority?—The majority, I think.

9150. Could you give us any idea whether the minority is an important minority?—I think so.

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9151. I do not know whether you would like to give the numbers, but do you know what proportion of the firms were included in the majority? Is it a very big one?—I could not give the exact number, but I think there would be a majority.

9152. How many separate distilleries have you in that Association?—Forty-three.

9153. Are they all pot still distilleries?—They are all pure malt pot still distilleries.

9154. You use malt only. With regard to barley, what source do you draw upon for your barley? Do you confine yourselves to Scotland?—In a good season we get our barley from Morayshire, or Banffshire, or Aberdeenshire, but if the season is a backward season and there is a poor harvest we go abroad, say, to Denmark, and get the best barley we can procure. We always buy the best.

9155. Then you do not regard the use of foreign barley as disqualifying the product from being called Scotch whiskey?—I do not.

9156. Could you bring that out a little more? What definition would you give of Scotch whiskey? Could you suggest a definition of Scotch whiskey that would satisfy you?—Our Association has agreed that 50 per cent. of malt whiskey and 50 per cent. of grain or patent still spirit should be called Scotch whiskey.

9157. All grains? What grains do you include among the materials that may be used in the patent still? Would you allow all cereals to be used?—I should think so. I do not know how the patent still whiskey is made in fact.

9158. Then perhaps you would rather confine yourself to giving a definition that would satisfy you for the whiskey you are particularly concerned with; that is to say, the Highland malt whiskey. Could you define that?—Highland malt whiskey is made from the product of malted barley distilled in a pot still in the Highlands.

9159. Then when you come to the sale of your whiskey is it sold mainly for consumption as a self whiskey or for blending?—We sell it all as a self whiskey.

9160. Does it ultimately reach the consumer as a self whiskey, or is it mainly blended?—Partly both.

9161. Do you know which predominates?—No, I do not. It is sold to our agents, Messrs. Andrew Usher and Co., of Edinburgh. They take the greater part of our whiskey.

9162. They would know, of course, but you do not know what happens to it?—I know there is a good deal sold to private firms, and they blend it and send it out themselves.

9163. You have no objection yourself to the blending of your whiskey with the patent still spirit?—Not if the proportion is right.

9164. The proportion you suggest being 50 per cent.?—Yes, that is so.

9165. Why do you ask for 50 per cent.?—If you have too little of the malt whiskey in the blend it would lose the character altogether of Scotch whiskey.

9166. Then with regard to the process, is the process that you are using now for distilling the same as it was when your grandfather originally started the distillery?—Yes, exactly the same.

9167. The still is the same?—Yes, the same shape.

9168. And the materials are the same?—Yes.

9169. Then in every respect it is the same product produced in the same way?—Yes, the very same.

9170. (*Dr. Adeney.*) Do you run your whiskey at the same strength as before?—Yes, about the same strength.

9171. (*Mr. Guillemard.*) I think you have said you have no objection to blending providing that the conditions you suggest are satisfied?—Yes, that is so.

9172. But you wish to bring under the notice of the Commission your views in connection with the tendency to sell an inferior blend?—That is so.

9173. Would you state your views about that?—As I have already said, if you use too little malt in the blend of patent whiskey and malt whiskey, you lose altogether the character and flavours of the malt whiskey. I do not refer to some of the higher proprietary blends, because I think they are very good indeed as a blend.

9174. With regard to the patent still spirit, if sold by itself without any admixture of pot still spirit, would you allow the term "whiskey" to be applied to that?—No.

9175. With regard to the label, how far do you think it would be wise to go? Would you be satisfied if the vessels or casks that contain the spirit, if it were pure malt, were labelled malt whiskey, and if it was patent still spirit only, how would you have it labelled then?—Patent spirit.

9176. And the blend of malt whiskey and patent spirit?—If it contained 50 per cent. of malt, I should call it Scotch whiskey.

9177. And if it did not?—Blended spirit.

9178. Do you think that would be definite enough by itself? Do you think that would inform the public that it had less than 50 per cent. of malt?—The public would know that it had less than 50 per cent. of malt.

9179. You think they would? You think the public would, as a matter of fact, know it when they saw that label on the bottles?—I doubt if they would.

9180. You are doubtful?—Yes, I am doubtful if they would.

9181. That rather brings me to what I wanted to ask. Are you a great believer in the virtue of a label as being generally understood by the public who buy it? Do you think with regard to the labels you have suggested that the public would gradually get to rely on them as indicating certain definite products or not?—They would get by education up to it.

9182. You think they would?—Yes, I think so.

9183. Then the last point I should like to ask you about is this. It has been suggested that all whiskey should be kept in bond for a certain period. Would you be in favour of that?—Yes, I would.

9184. The patent still spirit as well as the pot still?—Yes.

9185. Does your reason rest upon public health at all?—It would in a way to a certain extent.

9186. I will put it in another way. Do you think the public health by itself is sufficient to make such a regulation necessary? We have had very little evidence on this point at present?—When malt whiskey is drunk new, a week old, it is not found to be palatable.

9187. I am thinking of the patent still too?—I have no experience of the patent still.

9188. No, but still you suggest that the patent still spirit should be kept for two years in bond?—Yes. I consider that all whiskey or patent still spirit would mature and mellow and become more palatable by being kept at least two years in bond.

9189. (*Dr. Horace T. Brown.*) You have referred to the fine malt which is used in the Highland malt distilleries, and the occasions when you have had sometimes to go abroad to get good barley for your malt. Is it, or is it not, a fact that the Highland distilleries do in certain cases use the light Danubian barleys very similar to those used by the patent still distilleries?—I could not say what is the practice of other distilleries, but I know we try to get the best barley and the heaviest we can get.

9190. You would not touch those light Danubians?—No, we only have the best.

9191. Then in your definition of Highland malt whiskey would you exclude a pot still heated by steam?—Yes.

9192. Although there are certain Highland distilleries using such stills?—I do not know about that, but I would exclude them all. The still should be heated by fire.

9193. This information has been given me that such stills are used in the Highlands?—Yes; I do not doubt it.

9194. You include the Orkneys in the Highlands, I suppose?—Yes.

9195. You think that the distinctive character of Scotch whiskey can only be produced in such stills as that?—I think so.

9196. Would you go so far as to say that whiskey of the Highland type could ever be produced by any other form of distillation than that now in use?—It has not been done yet, I think.

9197. No, but if such a definition as this came in it would prevent any experiments being made in that direction. Do you think it desirable to handicap the distillers to that extent?—I do not know.

9198. You would like to see the old-fashioned form stereotyped?—I do not think they can improve on the old-fashioned form.

9199. We never know what improvements can be made in any manufacture?—No, we do not.

9200. What is the minimum age at which you consider your whiskey fit to be consumed as a self whiskey?—I should say about eight years, and going on to twelve.

9201. But I suppose a great deal of it is consumed under that age, especially by the blenders?—Yes, but it is all pretty old that goes into the blends. It is about the age I have mentioned.

9202. Then you said that you do not know that the patent still spirit has been sold by itself as Scotch whiskey?—I do not know.

9203. We have had it in evidence from several witnesses that this patent still spirit has been sold as whiskey for the last forty years or more?—I understand so, but I have no personal knowledge of it.

9204. I rather gathered from your remarks that you are of opinion that the cheaper rate at which patent still spirit is made has been the chief determining cause in bringing it into use?—Yes—one of the causes.

9205. You do not consider it the sole cause?—No, I do not altogether.

9206. You consider that whiskey may be sometimes improved by blending?—Yes, a certain proportion to suit different tastes.

9207. You have also said that your Association considers that at least 50 per cent. of malt whiskey ought to be in every blend in order to entitle it to the name of Scotch whiskey?—That is so.

9208. Did you hear a question which I put to Dr. Cowie on this point?—I am afraid I do not recall it.

9209. I should like to ask your opinion on this one point. Supposing you had a blend of 50 per cent. of Lowland malt, costing 2s. 6d. a gallon, would you put that on the same footing as a blend containing 50 per cent. of fine Highland malt costing 5s., or even more?—I do not think it would be such a good whiskey.

9210. They would both be Scotch whiskey?—Yes.

9211. They would both be entitled to the term "Scotch whiskey"?—Yes.

9212. Then supposing you used a less proportion, say, 40 per cent. of Highland malt, and 60 per cent. of an old grain spirit, that would not come under your definition of "Scotch whiskey"?—It would not.

9213. But might it not be a better whiskey than, we will say, a blend made with 50 per cent. of a cheap Lowland malt and 50 per cent. of new patent still spirit?—I would not like to say. I have very little experience in blending—in fact, none at all.

9214. Probably the superior article would be handicapped by not being allowed to be sold as "Scotch whiskey," whereas the inferior article could be?—I see what you mean.

9215. I put forward that as one of the difficulties in establishing a minimum standard of any kind?—Quite so.

9216. (*Dr. G. S. Buchanan.*) What you advocate, I understand, is a broad classification. First of all malt whiskey, then Scotch whiskey containing at least 50 per cent. of a malt whiskey and no more than 50 per cent. of Scotch grain whiskey, and then blended grain whiskey, or whatever it may be called?—Yes, that is so.

9217. Do you put those forward mainly as broad classifications with the idea that in each class there may be differences of quality; there may be an excellent and an inferior malt whiskey, and an excellent grain whiskey and an inferior grain whiskey?—Yes, that is so.

9218. It is merely a general means of affording the public some sort of intimation of what they are being supplied with?—Yes, that is so.

9219. It is not by any means perfect, but you think it is better than nothing from the point of view of the public to give them an opportunity of choosing?—Yes, I think so.

9220. A classification of that sort is already being adopted by places like the Civil Service Stores in their catalogue?—I am not aware of that.

9221. I gather that a beginning is being made since these inquiries have taken place. I have had one or two catalogues of wine merchants sent me which show a distinction between malt whiskey and blended whiskey, with ranges of quality and price in each?—Yes.

9222. When you told us about your distillery being the first in Glenlivet, you wished to make an exception with regard to the illicit trade, did you not? There was plenty of smuggled whiskey in those days?—Yes, but they were not called distilleries. Perhaps I should have said ours was the first licensed distillery.

9223. Your Association, which comprises 43 separate distilleries, includes, of course, some distilleries which were put up fifteen or twenty years ago, or at the time of the whiskey boom, whenever that was?—Yes.

9224. And would have been put up, or very largely controlled by, blenders, would they not?—Yes, that is so.

9225. Their output would entirely go to blenders in some cases?—Yes.

9226. Were distilleries of that class those which constituted the minority that you were telling us of in the voting with regard to this definition of yours?—I think so.

9227. As to the use of local barley, have you had years in which nothing but local barley was used at your distillery?—Yes.

9228. Many years?—Yes, a good few years. It is the exception to use foreign barley.

9229. It is an exceptional year when you use foreign barley?—Yes, like last year.

9230. You would rather go back to the local barley when it is suitable?—Yes, we prefer the local barley. For one thing it is generally cheaper.

9231. You told us that the tendency in blending has been to use more and more of the cheaper article, the patent still whiskey, and less and less of malt whiskey?—That is so.

9232. And without indicating to the public that it is patent still whiskey, or a blend of malt and patent still whiskey?—That is so.

9233. As to the definition of malt whiskey you would limit it, I understand, to the particular form of distillation that is in practice now?—Yes.

9234. But you do not mean that the definition would necessarily last for all time. Any machinery which was put up to establish official definitions, if such a thing were decided on, would surely have to be adaptable and capable of modification when new conditions arise?—That is so.

9235. That would be common sense, would it not?—Oh yes, I think so.

9236. Your whiskey and some other Highland malt whiskies which one could name at once would be classed as constituting by itself one of the best kinds of whiskies that could be obtained anywhere, would it not? I put it generally like that?—Yes.

9237. And many people, at any rate, if they were given the chance of trying it, would not consider it improved by the addition of any other whiskey or grain spirit?—No, I do not think so.

9238. It will stand considerable dilution with water, and yet give you a satisfactory beverage?—Yes, that is so.

9239. And from that point of view it is economical?—Yes, that is so.

9240. The blending business has had a distinct trade advantage from the point of view of Highland whiskey, it has popularised it, but it has tended, I suppose, to put the self whiskies rather in the background, has it not?—Yes, it has.

9241. It is more easy for the public to obtain your eight to ten years old in a blend with a considerable amount of grain than to obtain it by itself?—I think there would be no difficulty in obtaining our whiskey eight years old, or older, from our agents in Edinburgh—pure; direct from the agents.

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9242. If people know what it is and how to get it?—Yes.

9243. Could you say quite roughly what sort of price would be paid per gallon for a self whiskey of your class about eight years old by the public? A rough range is all I want?—Perhaps about 24s. a gallon.

9244. And they would pay very much the same range of price for a whiskey containing, say, 50 per cent. of your whiskey, and the rest matured grain spirit?—I do not know. I have never sold any blended whiskey.

9245. At your distillery you keep the foreshotts and feints separate, do you not?—Yes.

9246. They both go back to the spirit still?—Yes.

9247. But they are collected separately?—Yes.

9248. At the beginning of the season when you are starting in the spirit still you always have a proportion of foreshotts and feints from the previous season to begin with?—Yes, that is so.

9249. I ask you that because we had an account from Dr. Schidrowitz of some experiments in distillation in which he gave the analyses of whiskey obtained by distillation of low wines by themselves in a spirit still without the addition of foreshotts or feints from a previous distillation. When I had an opportunity of seeing some distilleries in the Highlands I asked at almost each distillery whether they had any experience of producing whiskey in that way, and the result in all cases was negative. I do not know if that is your experience?—That is my experience.

9250. I was told that in starting a new still when you have no foreshotts and feints available it was necessary for some time to distill so as to get foreshotts and feints, and no whiskey at all, so as to provide the necessary foreshotts and feints?—I have no experience of that.

9251. One more question as to the value to the consumer of knowing the amount of malt in a blend. Supposing you had a blend containing 60 per cent. of Highland malt and 40 per cent. of grain, and another blend containing 20 per cent. of Highland malt and 80 per cent. of grain, the same malt and the same grain, you would consider the first the superior article, would you not?—Yes.

9252. Would you have any different opinion if the 40 per cent. of grain in the first case was made in London and the 80 per cent. of grain in the second case was made in Scotland?—I do not quite follow.

9253. In the one case you had your 60 per cent. of Highland malt and your 40 per cent. of grain spirit made in London. In the other case you had 20 per cent. of Highland malt and 80 per cent. of grain which has been made in Scotland. Which is the better whiskey?—The one with the most malt, I should think.

9254. (*Dr. Adeney.*) I gather from you that you consider the characteristic property of whiskey is the flavour?—I do.

9255. And flavour distinguishes the Scotch whiskey from the Irish whiskey?—Yes.

9256. They are two distinctive things, are they not?—Distinct flavours.

9257. And that is the chief thing about these whiskies—the flavour?—Yes.

9258. That is the desirable thing to be obtained by the distiller?—Yes.

9259. That flavour depends upon certain fundamental things, does it not—the water that you use, the materials that you use, and the care in the conduct of the various processes of production in the distillery?—Yes, that is so.

9260. Is not the after process of distillation of secondary importance? What I mean to say is, you have the flavour from your materials, and the water, and the care in details?—Yes.

9261. If you can get that flavour by any process of distillation would not such a distiller be entitled to say that is Scotch whiskey if he obtained the Scotch flavour? I am trying to see whether you would not advocate a definition of whiskey from the materials used—a broad definition of whiskey?—I do not think he could make it the same unless he had the same materials, such as the water and the peats.

9262. Those are the fundamental things, as I understand from you?—Yes.

9263. So that whatever improvements he could reasonably look forward to would be improvements in the process of distillation, would they not? It is not impossible to look forward to an improvement in the pot still process, for instance, and still retain the flavour?—I think it would be difficult to improve the flavour of the malt whiskey.

9264. I am now taking the flavour of malt whiskey as the greatest good which you can get from your materials?—That is right.

9265. But if you could get that excellent flavour by an improved process of distilling, you would not object to the name "Scotch whiskey" being applied to the product, would you?—You want as well as the flavour the aroma and body as well.

9266. But if you had got all those?—Then I would not. There is nothing more to be had.

9267. We are on safe ground if we regard whiskey as a product of certain materials?—Yes, quite.

9268. But I am not quite so sure that we are on similarly safe ground if we extend the definition to include the utensils used, but I gather from you that I am right in thinking that the materials and water and care in the conduct of the processes are fundamental considerations in the question?—Yes, and the altitude has something to do with the manufacture of whiskey.

9269. Do I take it from you that you are still of opinion that heating by direct fire is also a fundamental consideration?—I do think so.

9270. You hold that opinion with the Irish pot still distillers and Dr. Cowie?—I hold the opinion that the pot still should be heated by fire.

9271. A great deal has been said upon the question of a minimum limit of malt in a blend so that the mixture should be called Scotch whiskey, but I am not quite clear as to what is really in the mind of your Association when they put that limit forward. What is their idea in doing that? Is it to insure quality and insure flavour?—Partly that, and partly not to lose the character of the Scotch whiskey in the blend.

9272. But would that proportion result in protecting the character of your flavours and quality of Scotch whiskey?—It does to a certain extent.

9273. What makes me ask you is this. This has been put to me by a former witness, Mr. Greig, as an example of the difficulty there would be in attempting to guarantee the quality of a blend by putting a legal minimum limit to the proportion of malt. He says: "For example, a blend of 50 per cent. of grain whiskey and 50 per cent. of a cheap plain malt which costs on an average 2s. per proof gallon new, would meet the standard." Do you follow that?—Yes.

9274. "While a blend of 55 per cent. of grain whiskey and 45 per cent. of Glenlivet or Islay whiskey, which costs 3s. or 3s. 6d. per proof gallon new, could not be sold as Scotch whiskey." Do you see the difficulty?—Yes.

9275. There can be no question, I take it, as to the quality—that the latter blend would be of superior quality to the former?—Yes, I see that. I do not think that the blender would be apt to use much of the Lowland malt whiskey.

9276. But do not you complain yourself that there are blends of bad quality being sold?—Yes, I think so.

9277. Are those blends of bad quality simply bad in quality because they contain a large quantity of grain spirit?—That is it.

9278. Did you wish the Commission to understand that the malt is always good that is used in these blends of poor quality?—All malts are not the same. There are good and better malts.

9279. So that Mr. Greig is right in this suggestion that I have just read out to you?—Yes, perhaps so.

9280. That you could get a whiskey containing cheap plain malt, and you would not regard that as a blend of good quality?—No, not as good.

9281. There is that difficulty. Do you think you would have better protection in the trade if the whiskey was sold under the name of the distillery or the name of the blender? Would that be a better

protection, do you think?—It is very difficult to say. I do not think I can give an opinion upon that.

9282. Do you think there would be any possibility of labelling these blends and calling them blends of malt and grain if they contained 50 per cent. of malt or a blend of grain and malt if they contained less than 50 per cent. of malt? Would that be a practical means of distinguishing?—I think so. I think that could be done.

9283. Some of the blenders who have given evidence before us have objected to their high quality blends being called blends. They claim they should be called Scotch whiskey. Do you think yourself they would be prejudiced by their blends being called Scotch blended whiskey and not simply Scotch whiskey?—I do not think so.

9284. I should like to ask you with regard to the pot still process. Do you regard the ageing of the whiskey as a part of the process?—Yes.

9285. You regard that as an essential part of the process?—The quality of the whiskey is helped by ageing.

9286. I know there is no accurate information on the subject, but what is your idea of the changes that go on in new whiskey during the process of ageing? Have you formed any opinion yourself?—It becomes more palatable.

9287. What is that due to? Is that from the disappearance of unpleasantly tasting constituents?—From some of the bye-products, I should think.

9288. Do you think there is anything in the suggestion that new products are formed?—I do not think so. The unpleasant products may be changed by ageing.

9289. So that the ageing is simply a process to get rid of bye-products having an unpleasant taste or which interfere with the good flavour of the matured whiskey?—I think so. It gets more mellow by age and more palatable.

9290. Have you had any instances yourself of the blends of poor quality you refer to? Have you tasted those yourself?—No, I cannot say I have. I have drunk blended whiskey.

9291. I gather from a former answer of yours that you regard the poor quality as entirely due to an addition of too large a quantity of grain spirit and not necessarily from the use of an injurious malt spirit?—That is so.

9292. (*Dr. Bradford.*) Your whiskey is entirely a Highland malt whiskey?—Yes, that is so.

9293. I gather from you that it is sold partly as a self whiskey and partly blended?—Yes.

9294. When it is sold as a self whiskey what is the name applied to it?—"Smith's Glenlivet."

9295. Can you tell us what it is called when it is blended?—Blended Glenlivet.

9296. It has distinctly another name?—It is not "Glenlivet" then.

9297. I want to get out whether when it is sold as Glenlivet whiskey it has a different name to what it has when it is sold as a self whiskey?—Our agent sells it as a blended whiskey.

9298. But is it not by a different name? It is no longer called Smith's Glenlivet, is it?—Not the blend.

9299. (*Dr. G. S. Buchanan.*) It is called "Old Vatted Glenlivet" is it not?—Yes, that is what it is called when it is blended.

(*Chairman.*) The Commissioners are much obliged to you for the evidence you have given.

The witness withdrew.

Mr. Henry S. Keith, called.

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9300. (*Chairman.*) You have been the Provost of Hamilton?—Yes.

9301. You are at present a Councillor of that Borough and Honorary Sheriff's Substitute of the County of Lanark?—Yes.

9302. Do you also carry on the business of a wine merchant?—I do.

9303. I believe you have been familiar with the wine and whiskey trade for 37 years?—I have.

9304. And you have been during that period in the firm of James Keith, now a limited company?—I have.

9305. That firm was founded in the year 1849?—That is so.

9306. Are you now the Managing Director of the Limited Company?—I am.

9307. Does that Limited Company carry on a wine and whiskey business which is also associated with groceries?—Yes.

9308. That, I believe, is constantly the case in Scotland?—Yes, it is a very old custom in Scotland.

9309. I want some information from you, but first of all let me lay the foundation for it. I believe for many years you have made a study of the Licensing Acts, the old as well as the recent ones, and the history of the liquor trade generally?—I have taken great interest in those questions.

9310. That has been almost scholastic, but in addition to that you have a personal knowledge of the whiskey trade as now carried on, and as to how far it has followed public taste?—I have intimate knowledge of that.

9311. Beginning with our familiar question of what is whiskey, I believe your view is that we ought to discover and define what is the meaning of the word "whiskey"?—That is so—what is its derivation?

9312. What do you say is the root of the word "whiskey"?—It is the Gaelic "uisque beatha," which is the Gaelic translation for the old Scotch name of whiskey—aqua vitæ.

9313. The old Scotch name was aqua vitæ?—Yes.

9314. And on that was founded the Gaelic root of the word "whiskey"?—Yes. Then it came back to us corrupted into "whiskey."

9315. Do not some people trace the word "whiskey" to an Irish root?—Yes. They call it "usquebaugh" in Ireland, but in Scotland it is "uisque beatha." In Irish it is practically the same.

9316. It runs up more in sound to the word "whiskey" than your Scotch word?—Yes.

9317. (*Dr. Adeney.*) We admit "uisque beatha" in Ireland?—Yes, but they call it "usquebaugh" in Ireland.

9318. I do not know that a Celtic speaker does, but that is the popular idea?—Yes. "Usquebaugh" appears for the first time in English legislation in 1736.

9319. (*Chairman.*) You say a corruption of these words is found in the English Act which imposed high licence duty in 1736?—Yes.

9320. Was the word "usquebaugh" used there?—Yes.

9321. I believe the poet we have had the pleasure of hearing quoted used similar terms?—Yes, he called it "usquebæ."

9322. During the eighteenth century your view is that the word was in a transition state?—That is so.

9323. And it is doubtful whether the word "whiskey" was in common use until the latter portion of that century?—That is so.

9324. We have its use by Burns in those words which have been placed before us, where he uses "usquebæ" and "whiskey" and "aqua vitæ"?—In one poem alone he uses the three terms.

9325. How long did the term "aqua vitæ" go on in use in the trade?—We ourselves used it when I went into the trade. We always entered our orders for whiskey as orders for "Aqua." My father never used anything else but the word "Aqua" in entering orders.

9326. At the same time, was the word "whiskey" used as being synonymous with aqua?—It was by the

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public, but the word "spirits" was just as often used as either "aqua" or "whiskey." "Whiskey" has come more into use in the last 25 years as a word in the trade.

9327. And this term "Aqua vitæ" was used in statutes during the whole of the eighteenth century?—It was.

9328. In determining what is whiskey you get some information if you discover what aqua vitæ was composed of?—Yes—what was aqua vitæ.

9329. You have prepared an appendix (*see Appendix H*), but I want to have it in your evidence orally. In 1579 was the making of aqua vitæ prohibited for nine months, but lords, barons and such like were allowed to distil their own "malt and stuff" within their own houses?—That is so.

9330. The use there was pointing to the word "malt"?—Yes—and "stuff." Those words were used in conjunction.

9331. How do you translate that?—Malt and other substances—not necessarily malt alone that they were using, but malt and stuff—something else other than malt or along with malt.

9332. There is a term we shall find constantly used, and that is the term "beer." It came in after barley. There were the terms barley, beer and big. What was "beer and big"?—Beer and big means the same, I believe, but beer was a species of barley, or a different form of barley. Evidently the form in which the cereal first appeared before it was improved. I think barley is an improved form of beer got at by cultivation, although the statutes seem to treat them as two separate things on various occasions.

9333. Have you not some authority for saying that beer and barley are distinguished as two distinct cereals?—Yes.

9334. What cereal do you think beer was?—All I say is the legislature distinguish them as two distinct cereals, and did not treat them as the same cereals.

9335. The first excise that you speak of is that which was laid on in the year 1644?—That is so.

9336. And the materials from which this, which was then called "aqua vitæ," could be made were not specified?—They were not specified.

9337. Now come to the next Act. In 1655 the excise for all aqua vitæ or strong waters made or distilled within Scotland, whether of foreign or domestic spirits or materials, was fixed at 2d. per English gallon?—That is so.

9338. Then there is no mention there of the choice of materials?—There is no mention of the choice of materials.

9339. Then, again, soon after the Restoration there was another statute in 1661, and there, again, the materials were left open?—That is so.

9340. But a differential rate was fixed in favour of malt?—That was so.

9341. And that so continued till 1695?—Yes.

9342. In 1700 authority was granted for distilling in Glasgow from malt, sugar and other liquors. How do you read that?—The spirit was distilled from malt, sugar and other raw wines in the wash and other materials, that is to say, it was obvious that malt alone was not the substance from which the spirit was derived, but other materials or other liquors, cider and perry for instance, is given by the legislature at various times as a source from which spirits can be extracted.

9343. There is another statute that I want to mention in 1695, when we are coming to the time of William III.'s standing army. You say in your Appendix: "The estates of Parliament for maintenance of a standing army and defence of the coast granted an additional fund to the supplies, over and above existing excises of two pennies (Scots) upon the pint of ale and beer brewed for sale and sold, as also two shillings (Scots) upon each pint of aqua vitæ and strong waters brewed or made of malt to be vended or sold within the Kingdom, and likewise an additional excise of two shillings (Scots) upon each pint of aqua vitæ and strong waters brewed not made of malt, excepting what is made of wine." Taking the currency of that period, two shillings a pint was a very high duty indeed?—That is two shillings Scots, which is really the value of 2d. sterling money.

9344. That is a Scotch statute?—Yes. Scotch currency was really value for one-twelfth of sterling.

9345. Then that statute repealed the excise on malt and granted in lieu of it three shillings (Scots) more upon "ilk pint of aqua vitæ, or strong waters not made of malt, brewed and sold within the Kingdom, and six shillings upon ilk pint of aqua vitæ, brandy or some strong waters imported"?—Yes, my lord. The point there is that aqua vitæ evidently was made not merely from malt but from other materials than malt, and that a differential duty was charged upon that aqua vitæ not made from malt.

9346. It was a preference in favour of malt?—Yes.

9347. (*Dr. Horace T. Brown.*) That was before there was any malt duty imposed?—There was a small duty in Scotland for some time, but it was repealed in 1695.

9348. But at the time there was this differential duty, and there was no malt duty?—You will find in 1661 that there was a malt duty of two merks (Scots)—a merk being 13s. 4d. Scots, or 1s. 1⅓d. English.

9349. (*Chairman.*) That continued until 1695?—Yes.

9350. And then it was repealed?—Yes.

9351. This excise was in place of the Malt Tax?—Yes.

9352. Do you know how this duty was collected?—It was collected from the distillers or brewers.

9353. Was not the aqua vitæ tax to be collected from the retailer?—I do not think in this case it would be. I think the foreign tax upon spirits was collected from the vendors, but I think in this case it was collected from the distillers.

9354. You say in your *précis* it used to be collected from the retailers. Then in 1700 did the Scotch Parliament grant authority for a manufactory in Glasgow for sugar and the distilling of brandy and strong waters from malt, sugar and all the other liquors except wines?—Yes, my lord.

9355. Then there was a preamble: "That these were as good as could be imported from France, and profitable, 'both for the consumpt of malt, which is a native product, and for convenience within the country and for foreign trade'"?—Yes, my lord.

9356. Then it recites that the manufacture of sugar to which the statute also applied and distilling of strong waters deserved encouragement?—Yes, my lord.

9357. Then there is a statute that we may mention now, although it is a little out of order of date. In 1736, 9 George II. there is a statute which says: "Nothing in this Act contained shall extend to charge with any of the duties directed to be paid . . . any spirits made or distilled from malt and retained and consumed within that part of Great Britain called Scotland which spirits are commonly called or known by the name of aqua vitæ"?—Yes, my lord.

9358. That was repeated in 1751?—It was repeated in 1751. My point there is that taking these two statutes alone it might be argued that aqua vitæ was made from malt, but when you come to 1793 when the English excise duty, or rather the English licence duty was charged on the Scotch retailer for the first time the Act narrates that spirits evidently were made and distilled from malt, corn, grain, barley, beer and big. The reason why I give the 1736 and the 1751 Act is in order to distinguish between them and the 1793 Act.

9359. The 1793 Act is the 33 of George III.: "Whereas it is expedient to repeal the duties on coals, culm or cinders brought coastwise into Scotland and to substitute other duties in lieu thereof." Then Section 2 says: "From and after the 10th October, 1793, every person who shall retail any spirits made or distilled from malt, corn, grain, barley, beer, big, or other British materials, and which spirits are commonly called and known by the name of aqua vitæ in that part of Great Britain called Scotland, shall take out an Excise Licence." I gather from your evidence you have no doubt that statute must have referred to what we now call whiskey?—Yes, undoubtedly.

9360. There it is spoken of as being made from malt, corn, grain, barley, beer, big, or other things?—Yes.

9361. Then in the same statute there is a duty: "All and every person in that part of Great Britain called Scotland who shall sell . . . any spirits made or distilled from malt, corn, grain, barley, beer, big, or other British materials, commonly called and known by the name of aqua vitæ, unmixed or mixed with themselves or any other ingredients in any less quantity than half a gallon, shall be deemed and taken to be a retailer.'" I gather from you you do not know of any other spirit that was called aqua vitæ except our present whiskey?—I do not think there was in Scotland any other spirit at that time.

9362. (*Dr. Adeney.*) Was brandy never referred to as aqua vitæ?—At the beginning brandy was aqua vitæ when introduced into this country. Then we used the term aqua vitæ as applied to the spirit made from malt, which was originally assumed to be a brandy.

9363. (*Chairman.*) I want to refer to the statute of 1784 which speaks of the duties on "low wines and spirits." They were discontinued and a duty placed instead upon every gallon of fermented wash or wort. The provision ran, "Brewed or made for extracting spirits for home consumption from any malt, corn, grain, or tilts or any mixture with the same." What is the meaning of the word "tilts"?—Tilts, or the bottom of the vats, I believe it is—the residue.

9364. (*Dr. Horace T. Brown.*) Was that what was known as the Wash Act in 1784?—I think so. It was immediately after it that the duty was put on the capacity of the still. It did not evidently last long.

9365. It only ran, I think, for two years?—Yes.

9366. That is the Wash Act?—Yes.

9367. (*Chairman.*) You say in your *précis* "After the union"—was that the Irish union or the Scotch union?—The Scotch union in 1707.

9368. "In several Acts aqua vitæ made from malt in Scotland is referred to and excluded from duties payable in England." Then you come to the Act of 1793, and you set that out. Then there is a differential duty in favour of British materials, enumerating various kinds. You say, "Barley, malt, and beer malt were differently treated in 1803, the operation of malting the two varieties being allowed only when completely separate and apart and under a different roof"?—That is so.

9369. That was in 1803?—Yes.

9370. As early as 1806 do you find a trace of evidence that the Highland distillers were using both malted and unmalted corn and grain and oats?—Yes, my lord.

9371. I believe the manufacture of that product was authorised by Statute of 1806?—That is so.

9372. Does that refer to the Highlands or to the Lowlands?—The Highlands were differently treated, and that Act dealt with the Highlands only. The section of the Act referred to dealt with the Highlands only.

9373. You gather from this, according to your view, that the expert advisers of the Crown who produced these statutes were dealing with materials which were known as being used in the manufacture of the product?—Undoubtedly.

9374. You say they would not have inserted this in these statutes unless corn, grain, as well as malt, was being used in the manufacture?—As a custom of the trade.

9375. Again in 1823 you find Scotch as well as Irish spirits spoken of in the Parliamentary statutes as "distilled from wort or wash brewed or made from malt or from corn or grain malted or unmalted"?—Yes, that is the phraseology of the Act itself.

9376. The Act of 1823?—Yes.

9377. (*Dr. Horace T. Brown.*) Did that apply to the Highlands also? Was that universal?—Yes, because the statutes ceased to differentiate after 1816 between Scotland Highland and Scotland Lowland and between Scotland and Ireland.

9378. (*Chairman.*) They referred to Scotch and Irish whiskey too? That is the 1823 Statute?—Yes, my lord.

9379. So it must have been general?—Yes.

9380. All this is very interesting information that you have collected, and it seems to produce this result, that aqua vitæ, or usquebaugh, was not the exclusive product of malted grain. That is the point you are making?—Unquestionably.

9381. And was not so down to the commencement of our present licensing system?—I put 1828 as the beginning of our present licensing system.

9382. Now we come to a period I will not touch upon in any detail, and that is the period of the corn laws. Then there was considerable protection sought up to the year 1845 or 1846 for the protection of our native agricultural produce?—Yes, my lord.

9383. Getting away from the statutes for a moment, in the earlier times (I will take the end of the eighteenth century and the commencement of the nineteenth) where were the Highland whiskies made?—From 1784 to 1816 there was a peculiar provision which excluded the Highland whiskies made in small stills from the Lowlands or from England. The statute dealing with that is the 25 George III., cap. 22.

9384. That brings you up to the year 1785?—Yes, that is the beginning of it. Section 10 reads thus: "No spirits, the produce of such licensed stills, shall be allowed to pass, either with or without a permit, into the southern parts of the Kingdom, either by land . . . or by water carriage . . . and all spirits distilled to the west and north of (a prescribed line) that shall be found passing to or in other parts of the Kingdom, either with or without a permit, shall be liable to seizure."

9385. What is the substance to be used as a product?—The produce of such licensed stills. That is the small still which was specially licensed under a smaller duty than the stills in other parts of the Kingdom, but the produce of those stills must be consumed within the parish or within the district in which the whiskey is made.

9386. What name did they call it? It says "the produce." It does not say aqua vitæ?—No, it is called spirits at this stage. The statutes commenced to speak of "spirits."

9387. At that time they remained small stills in different houses?—Yes.

9388. Would it be likely that they would obtain malt, or would it be grain unmalted?—The statute prescribed that it was for the purpose of encouraging local agriculture, and the presumption is that it would be barley, bere or bigg, or oats.

9389. It might not be malted?—Yes, both malted and unmalted.

9390. In the small stills?—Yes, but malt would be most largely used, I think.

9391. You say in your *précis* "It would be historically inaccurate to say that the Highland small still whiskey was what was known as aqua vitæ, usquebæ, or whiskey." That "or whiskey" is your own assertion. You have not yet any record of the word "whiskey"?—No, the word "whiskey" never appears in the statute as a word down to 1823.

9392. In 1823 we obtain it?—I do not think it appears in the statutes at all. I have not gone further than 1823 or 1824, but it never appears in the statutes under the word "whiskey."

9393. I was under the impression it did, but we will see when we come to it. During the period we have been speaking of what do you say was the product of the Lowland distilleries? Was that from grain as well as from malt?—Undoubtedly.

9394. How do you know that, or why do you say that?—Because the Legislature had to pass an Act charging unmalted grain with the same duty as malted grain for the purpose of protecting the Revenue, and continually afterwards the distiller is called upon to give the quantity of the malt as well as the quantity of the unmalted grain that he uses in his mash—for Revenue purposes.

9395. The consumer could not obtain the Highland whiskey? He was drinking Lowland whiskey?—He must drink the Lowland whiskey because the Highland whiskey was proscribed.

9396. (*Dr. Horace T. Brown.*) While the Lowland whiskey could gain access to the Highlands. That was their point of contention?—That was their point of contention.

9397. (*Chairman.*) Having dealt with this interesting matter of the statutes, I am now going to use

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your information by asking you, with your knowledge of what you have told us, what, in your opinion, is the proper definition of whiskey as it existed in what I call the pre-Islington days, before the struggle arose?—I say that one must have an accurate knowledge of what whiskey was composed of then in order to arrive at an accurate knowledge of what ought to be regarded as whiskey now. If it can be shown conclusively that whiskey was not the product of malt exclusively then it would be absurd to introduce a new ideal as to what whiskey should be. Whiskey surely is a substance of historical character, and what whiskey was, or what aqua vitæ was, should determine largely what is whiskey now.

9398. That is your view?—Yes, my lord.

9399. Up to this period, as we know now, in 1831 we get rid of all questions of manufacture of patent still and pot still, and it is really a question of material?—There was no question then of the different stills.

9400. There were the small stills and large stills?—Yes, and unquestionably different qualities obtained, not marked differences of manufacture.

9401. Although there was no question of two differently named stills, the patent still and the pot still, there were improvements made from time to time in the old form of still?—I think so. I think, if one might be permitted to infer, that the real statutory origin of the improved still is to be found in the Act of 1816, which provides for methods of manufacture, and makes it evidently much more difficult for the manufacturer to go on with his business. It deals with what is to be done with feints.

9402. (*Mr. Guillemard.*) Do you refer to the Act of 1816?—Yes. I deal with it at the end of my Appendix, where I say: "This Act, Section 26, also provides for methods of manufacture." I think if Section 26 of the Act of 1816 were referred to, I assume, and I think it is a fair assumption on my part, that there we have the root of the introduction of improved methods. It is the Act of 56 George III.

9403. (*Chairman.*) Just to go back for a moment to a more remote period. Is there not some trace in the year 1599 of a new form of kiln that was invented?—Yes, it was invented by one Eustatius Roghe.

9404. He was granted a monopoly by Act of Parliament for a new form of kiln which was spoken of as "a new form of kiln never used nor practised within this realm in time byegone, whereby not only great quantity of fuel may be spared, but also that the malt shall retain no taste of the materials wherewith it shall happen to be dried." Would that be with reference to malting?—That was with reference to drying the malt.

9405. It is interesting to see that there was an advance being made and encouragement being given for the advance in production?—That is so.

9406. Coming now to modern times, at present the produce of all distilleries, or nearly all distilleries, is sold to the trade with the name of the distillery?—That is so, my lord.

9407. And practically does any question arise in that sale between the patent still production or the pot still production?—No question arises in the mind of the buyer. He knows what he is buying.

9408. He would take Glenlivet or Cambus, or whatever it is, and he knows what he is buying?—He knows what he is buying.

9409. That is the wholesale trade?—Yes.

9410. Have you ever heard of any member of this trade traversing the right of the producer to call either the patent still whiskey or pot still whiskey by the name of whiskey or Scotch whiskey?—Never, until this prosecution arose.

9411. You say it should not be called Scotch whiskey unless made in Scotland?—It should not.

9412. If made in Scotland in a patent still and by the use of grain as well as malt, corn, or other cereals would you call that yourself, and do you think the trade would call it, whiskey?—I think so.

9413. You give examples of other products, but I do not trouble you with regard to them. I suppose you would not know much of the retail trade and what is the custom of the persons who buy retail?—Yes, that is a branch of our business.

9414. What would you say as to the way in which the blended whiskey should be dealt with? In the first place blending goes on now as we know to a very great extent?—Yes.

9415. Do you think the blending of whiskey is a beneficial production?—I do.

9416. Different blends have different proportionate compounds?—Yes

9417. Have you anything to say either accurately or roughly on what the proportion of the different whiskies should be in a blend?—No, my lord, I think that is a pure question of choice and of taste and of experiment. Some have totally different proportions of malt as compared with grain than others, and I think that as a general rule the malt whiskies are to be found more largely predominating in the West of Scotland—I think that was the case up to twenty years ago.

9418. Do you mean the malt whiskies predominating as self, or pure whiskey?—As self and as blends.

9419. Is there any difference in the proportions between the malt and the grain whiskies in Scotland in the blend?—Yes, in the West you will find that grain is not used to quite so large an extent as in the East of Scotland. That is a question of public taste.

9420 Almost an hereditary habit?—Yes.

9421. Did you find that when the patent still first came into more or less general use, or at least made an advance there was some prejudice against it?—With those who had not been using it—I speak of my own trade. My father, for instance, had a prejudice against what he called "patent." He always called it "patent."

9422. To what do you attribute that prejudice?—Because he had always been accustomed to use malt whiskey.

9423. Was it prejudice because it was invading the title of whiskey, or was it because persons had not used it?—No, it was the prejudice of taste and not the prejudice of what you would call the mind.

9424. Did you object to the patent still whiskey being called whiskey because it was not whiskey?—No, I never heard of that—not until the Islington prosecution.

9425. It was mooted in 1891, but you had not heard of it?—No, I had not heard of it. Of course it was a matter of consideration before the Committee in 1891.

9426. What was being mooted—I do not know whether it was being substantially mooted, but the question had been raised as to whether the cereals used so as to entitle the production to be called whiskey should be home grown and not imported. What do you say to that?—I say up to the abolition of the Corn Laws that was so in accordance with our laws and in accordance with our ideas, but after the abolition of the Corn Laws you could not, in the interests of protecting home agriculture, prevent any cereals which could properly make whiskey being used.

9427. I may be wrong, but is not this the practical question? I think Sir Robert Peel, before the Corn Laws were repealed, took the duty off maize—in 1845 or 1844?—There was some differential treatment given in the interest of agriculture.

9428. Before that time the duty on maize would have prevented its use?—Absolutely.

9429. You take the duty off, and now you get maize as a commodity that may be made available on account of its price?—Yes.

9430. Do you see any objection to maize being used to any extent?—I cannot see any objection if it produces the same result.

9431. We have had the term "grain whiskey" used. You do not treat grain whiskey as being patent still whiskey by virtue of being made in a patent still, but what is "grain" an abbreviation of?—"Grain" is an abbreviation of raw grain. It has now come to be applied to the patent still whiskey as a matter of commercial nomenclature, but it is not accurate to say that because it is patent still, therefore it is grain whiskey. We spoke of raw grain whiskey when whiskey was all made in the pot still,

and was made not from malted but from unmalted grain. That was the raw grain whiskey originally. It was made from unmalted grain in a pot still?

9432. Now the produce of the patent still is not necessarily grain whiskey; you may have malted whiskey made in the patent still as well as in the pot still?—Yes, it can be all malt in the patent still, I understand, but in practice it is a mixture.

9433. Therefore it is inaccurate to call the patent still product grain whiskey?—It is.

9434. It may be made of grain, but that is not the way it should be named according to your view?—Not necessarily.

9435. We have had put before us the view that this patent still whiskey ought to be called "spirits," and not called whiskey. Do you agree with that?—No, I do not think so. It is quite as much entitled to the term "whiskey" as any other Scotch product, or any Irish product, I think.

9436. The difference of the ingredients used is simply the practical one, as I understand it now, that in the pot still whiskey you do obtain as a rule more of the malt than you do in the patent still?—I think so.

9437. But apart from that greater degree of malt, the ingredients used are cereals, and are not in any way injurious to health, and have been known now, according to you, for a great many years under the name of whiskey?—That is my opinion.

9438. That is the case you represent—I do not say whether it is right or wrong?—That is my opinion.

9439. Do you wish, therefore, to see any regulation made as to what should be the contents of the mash tub?—Yes, I think that is where we have to look for what is whiskey.

9440. Let us have your view upon that?—I think some decision should be come to as to what the contents of the mash tub should consist of, and that the Inland Revenue officials should be charged with the responsibility of seeing that the regulations are carefully adhered to. The product, no matter how it is made, whether in a patent still or a pot still, should certainly be regarded as whiskey.

9441. But what should the Excise officers and the Excise Department see to according to you? Is it the proportion of malt that is in the mash tub, or what is it?—Whatever the Legislature lays down.

9442. But I want to know what Mr. Keith lays down first?—I think that is right. I think there should be a malt in the constituents of the mash tub, undoubtedly.

9443. But supposing it came to 10 per cent. or 20 per cent., do you wish that the Legislature should say that shall not be?—That would depend entirely on the opinion of experts in distillation.

9444. Are not you an expert after what we have heard to-day?—I am not an expert as a distiller, my lord.

9445. But that is your view? If it be thought right in any way to control the use of the word "whiskey" it should be done by legislation?—Yes.

9446. You speak very nicely about your want of practical knowledge, but as far as your knowledge goes, would you, by this proposed legislation, prohibit anything being used, or would you leave that to the free hand of the distiller, and then go on and say he must use so much malt?—I say he should be prohibited from using anything but cereals. I do not think that anything other than cereals should be used because that unquestionably is the historical genesis of aqua vitæ.

9447. Do you go so far as to say that if he uses anything but cereals the sale should be prohibited, or only the use of the process should be prohibited?—The spirit, of course, might be used for commercial purposes. You might have a spirit made from potatoes which might be of value in the arts and commerce, but it should not be used for drinking.

9448. It is really in order that the consumer should know what he is having that you would limit the use of the word "whiskey" to the article that is manufactured under separate conditions laid down by the Legislature?—Yes, my lord, that is how I put it.

9449. You are anxious, I believe, to deal with some of the analyses that have been used and put in in certain trials. I am sure you will excuse me if I deny myself the pleasure of going through those analyses with you and leave it to my colleagues?—Certainly, my lord.

9450. (*Dr. Horace T. Brown.*) In giving us this very interesting historical *resumé* you have told us that the Highland distillers were users of unmalted grain along with their malt?—Yes.

9451. Certainly in the year 1806?—Yes.

9452. That is a point of great interest because I have been searching for some time to see if any evidence on that point could be found. Do you know those Reports of the Select Committee of 1798 and 1799?—No, except from your own references to them to a previous witness.

9453. It would interest you very much to see those. There is a vast amount of information in them, and I was searching through them some time ago to see if any evidence could be got with regard to this very point of whether the Highlands at that time were using unmalted grain. There is abundance of evidence to show that the Lowlands at the close of the eighteenth century were using it, but I have not come across at present any reference to the Highlands use of it, which seems to me somewhat remarkable, as you appear to have got a very definite reference to its use a few years subsequent to that?—That is the Act of 46 George III., chapter 102, section 19, where the Highland distiller is called on every six weeks to give an account of the quantity of malted and unmalted grain used in the making of wort or distilling wash—indicating raw grain.

9454. That seems very specific with regard to the Highlands?—I think so.

9455. Some of your argument turned on the question of whether the two terms aqua vitæ and whiskey are absolutely synonymous?—I think there was, of course, the historical passing from "aqua vitæ," meaning brandy, to its application to the product of the Scotch distiller.

9456. But that is a possible weak point in the argument, is it not? If that could be attacked vitally, and it could be shown that those two words were not synonyms, it would to a certain extent weaken a great deal of your argument?—Unquestionably it would.

9457. You have given us your idea of what materials should be allowed for the manufacture of whiskey. Is it your opinion that malt should be an essential part of them?—Yes.

9458. That the conversion should be done by malt?—That is my idea.

9459. Do you know of any new process for converting the grain, the so-called "amylo" process in which malt is not used, but which produces a very good spirit?—No, I am not a scientist.

9460. You would not press that point of malt?—No, I do not think so.

9461. (*Dr. G. S. Buchanan.*) I notice that a great deal of your historical argument depends upon the use of a number of words in different Acts of Parliament. For example, you told us about the Highland whiskey, and that the words in the Statute applied to the materials which were to be used comprised the words "malt" and "unmalted," and "raw grain," I think?—That is allowed. Malt or unmalted means malted or raw grain.

9462. In that case the object of the clause was to make the Highland distiller give an account?—Yes, he is to give an account of the quantity used.

9463. It struck me with regard to that and some other similar cases that, after all, the usual drafting of an Act of Parliament is so as to make it comprehensive. Does it necessarily mean that all these things were used or used commonly? Does it not only mean that in drafting the Act the man who wanted to make sure that he had an account of malt, also, in the case of unmalted or raw grain being used, wanted to get that as well; but it does not follow necessarily that unmalted and malted and raw grain were all used or were common?—You have to try and get behind what is intended by the Legislature, and there is no doubt it was an effort made when there

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was a duty upon malt to cheat the Revenue of what it ought to get, and consequently they had to put a duty on both.

9464. I quite understand that, and what you have told us is of great interest; but I do not think we ought to strain too far the fact that a long series of materials are named in an Act of Parliament applying to the manufacture of a particular spirit as evidence that those things were used. It is a constant experience of Acts of Parliament that you have to provide for all sorts of likely and unlikely contingencies, and the naming of a large variety of materials is not evidence of the proportion or the frequency with which things are used?—I do not think we can strain it, but I think it is a reasonable inference when you find the phrase repeated, and to some extent amplified, that it was done for a specific reason, and that specific reason was that it was a custom of the trade that was required to be taken cognisance of. But I would not presume to strain it.

9465. Not necessarily a frequent custom, but something that might be done?—Yes.

9466. With regard to your argument that we should go back in deciding what is whiskey to the question what was whiskey, you would apply the same, I understand, to brandy. If you were deciding what is brandy in this country you would first begin by considering what was brandy?—Yes.

9467. You know from evidence we have had given here that in England at all events we have statutory authority for believing that the distillate of malt and corn in England was called brandy?—That is so, the presumption was that they were actually getting the same thing that the French people were able to supply from grapes; that they were able to supply that from malt. The statutes declared it so.

9468. Only forty odd years ago in the Spirit Act of 1860 there is a statement that: "All spirits which shall have any flavour communicated thereto, and all liquors whatsoever which shall be mixed or mingled with any such spirit shall be deemed a British compound called British brandy." When they are enquiring what is brandy one hundred years hence they might imagine, if they went back to that statute, that British brandy—brandy as we know it to-day—was anything that was compounded and mixed in that way?—That is British brandy. That, of course, was a preparation, a compounded preparation of spirit which, I think, was erroneously described as British brandy, but was nevertheless sold as British brandy, but always sold with the word "British" attached to it.

9469. That is not the same as the brandy distilled from corn which we are speaking of. The question for us is to a very large extent first as to the sort of meaning that should be attached to the spirit as at present sold?—Clearly.

9470. And brandy is now generally admitted to be solely the product of grape juice distillation, notwithstanding its historical origin?—That is its historical origin.

9471. Can you speak at all as to the sale of Scotch whiskey outside Scotland?—I can a little. We do send abroad.

9472. Do you think that historically and at the present time also the popularity of Scotch whiskey has been largely due to the Highland malt part of it?—I would not like to say that. I rather think the whiskey has grown in popularity since blended with grain. Our own experience is rather peculiar. We stock the malt whiskey almost exclusively, and we sent a sample case to some customers, especially those who come from the East, and we have had some whiskey returned to us from the South because it had an objectionable flavour, and that flavour was simply the flavour of very fine malt whiskey.

9473. At the same time do you think that outside Scotland the flavour that has been associated with Scotch whiskey has been to a large extent due to the malt whiskey?—I should like to think so, because personally my own taste runs in favour of malt whiskey, but in spite of that I have to admit that the popular taste is rather against my own.

9474. In the custom of your ordinary trade can you tell a Scotch whiskey from an Irish whiskey?—Yes, I think I could, but we always say in Scotland that we think the Irish whiskey has a sort of tallowy flavour.

9475. (*Chairman.*) That is much better than Scotch, is it not?—No—tallow is not so good as Scotch.

9476. (*Dr. G. S. Buchanan.*) If you had a couple of unknown samples that you knew nothing about, you would have little hesitation, I suppose, from your experience, in picking out those which were Irish and those which were Scotch?—Yes, if they were distinctive.

9477. We will put aside any samples which are mainly blends with a large amount of grain, and take the whiskies that are either pure pot still whiskies or blends containing a material part of pot still whiskey. Do you think an expert like yourself in these matters would be likely often to be mistaken in classifying the Irish from the Scotch?—I do not think we should be often mistaken, but we might be sometimes. I think the distinction between Irish and Scotch is so marked that any ordinary consumer would notice it.

9478. Do you think that in London, for example, the distinction between Irish and Scotch whiskey is solely a geographical distinction? Do you not think, as a matter of fact, when a man asks for Irish whiskey or Scotch whiskey he expects a distinctive flavour of something which is characteristic *qua* flavour?—Yes, I think so.

9479. I ask that question because it bears a little on the argument that you have given us. Practically the only distinction that I understand you would make between Irish and Scotch whiskey is that one should be made in Ireland and the other should be made in Scotland?—Yes, and, of course, the practice of the distilleries, which may be regarded as the Irish or the Scotch practice, will give the distinctive character to the whiskey.

9480. (*Chairman.*) Does water come in?—Yes, I think water has a good deal to do with it, or something to do with it, at any rate.

9481. (*Dr. G. S. Buchanan.*) Would you carry that as far as the grain whiskey of each country?—Yes.

9482. That the practice of the grain distiller in each case will give the distinctive Irish flavour and a distinctive Scotch flavour?—I think so.

9483. Do you really mean that?—I think some malt whiskey, when made in a pateut still entirely from malt, would differ from a whiskey made from maize in a patent still, and if one distiller always made his patent still whiskey from maize and another distiller always made it from malt then you would always know the difference between those two distilleries.

9484. I do not think I have made my question quite clear. The consumer in England asks for Irish or for Scotch whiskey because he associates with those two a distinctive character in the matter of taste?—You must go further back than that. There is the presumption that he knows what Irish whiskey is and he knows what Scotch whiskey is, and therefore in ordering the one or the other he expects to get what he has been accustomed to. If an Irishman, who has been resident in Ireland most of his life, comes to London he wants an Irish whiskey of the character he has been familiar with. He would know at once if he was getting something different.

9485. Quite so, but do you think that applies also to a grain patent still whiskey made in Ireland and a grain patent still whiskey made in Scotland?—I do not think the distinction in flavour is so marked in grain whiskies. I am not sure I could distinguish between a grain Irish and a grain Scotch.

9486. (*Dr. Adeney.*) What would you call a blend of a Scotch malt and English grain?—I have no knowledge of such a blend. I suppose in London there must be plenty of it.

9487. We had evidence before us yesterday that there is such a blend, and that it was called Scotch whiskey. Would you agree with that?—No, I do not think so.

9488. (*Dr. G. S. Buchanan.*) That expert knowledge that you have with regard to the distinctions between Irish and Scotch whiskey you would not object to passing on to the public in the form of a label or notice on the bottle, would you?—There could be no objection to it, but the question is, is it necessary.

9489. You say yourself, I think, that you would have no objection—in fact, I think you advocate that

a certain meaning should be attached to particular words, and that the word "malt" should be only used where the produce is the guaranteed produce of malt alone, and the words "pot still" should be used when it is the product of the pot still alone, and the words "patent still" should be used for the product of the patent still alone, and "Scotch blend" to any whiskey made in Scotland?—Yes. My point there is that a fictitious description should not be passed at all, and that if they wished to describe it the description ought to be correct.

9490. Would you go further and say that a description in certain terms which are clearly defined or might be in future clearly defined, ought always to attach to the sale of whiskies?—I am not sure that I quite follow your question.

9491. Would you go to this extent, that you would not merely consider that these definitions should mean something—pot still and malt, and so forth, but that the public should be always informed whether it is getting malt or pot still, or whatever it may be?—I would have no objection to the public being informed. I do not say it is necessary, but I say to put a malt label on a patent still whiskey is fraudulent, and I should say that that is to be objected to. To say it should not be sold as Scotch whiskey without an adjective attached to it is to expect too much. I think they are both whiskey, but one is a malt and the other is not a malt whiskey.

9492. With regard to the analogy of butter which you have mentioned in your *précis*, do you, in your business, sell butter?—Yes.

9493. Do you sell butter that has been prepared from sweet cream?—Yes, after it has passed through a process of adding to it a culture or a butter yeast which is quite different from the old-fashioned custom of churning sour milk by which you produce the butter straightaway.

9494. Is that the special process you employ?—No, we do not make butter. I thought you asked if we sold it.

9495. Do you sell this particular butter as butter?—Yes, we sell both kinds of butter.

9496. Are you sure that the butter you sell is butter made from new sweet milk without any souring or fermentation before churning?—There is a fermentation to it, but I say the process is entirely different from the old-fashioned process. First of all the fresh milk has the cream extracted from it immediately or almost immediately.

9497. That cream is put into a separate vessel and is made into butter by adding a culture to it, and the butter is taken from that and you have it within twenty-four hours.

9498. (*Dr. Adeney.*) Is that a difference of scientific principle?—I think it is certainly.

9499. I cannot quite agree with you?—It is a complete distinction in the process of manufacture, and there is the distinction of a culture artificially which is totally different from the natural culture.

9500. I rather regard that as an improvement in the detail of process?—Precisely. I say that being so, and being an improved process, are you going to condemn the butter which you get, which is really probably a better article, although there is a difference of opinion as to which is the better.

9501. (*Dr. G. S. Buchanan.*) I only mention it because you refer to it in your *précis*?—The *précis* rather jumps to the conclusion without giving the intermediate processes.

9502. Are you aware of the requirements of the Legislature with regard to butter and margarine, and milk-blended butter?—Yes.

9503. You know margarine, which has fats probably as wholesome and as nutritious as butter, and which is flavoured with butter fat, and looks like butter, and tastes like butter, and yet the Legislature is insisting on a difference being made all the way through by a label?—It is a totally different extract.

9504. The same thing applies to milk-blended butter, which is butter with the addition of a certain amount of milk which gives it a particular flavour?—Yes.

9505. But at the same time the Legislature not only limits the extent to which the milk should be added, but it has denied it the name of butter?—I agree.

(Adjourned for a short time.)

9506. (*Dr. Adeney.*) With regard to your very interesting historical sketch as to the meaning of the word whiskey, do you not think the term aqua vitæ or the ancient term "uisque beatha" referred more to the stimulating properties than to flavour?—I think it referred to the substance; it referred to the spirit.

9507. That is, to the alcohol?—To the product.

9508. Not so much to the bye-products, but to the ethylic alcohol?—To the alcohol; to the spirit.

9509. But now we have come to regard whiskey as a specially flavoured alcohol, have we not?—I think we regard it still as a spirit derived from cereals.

9510. But having a characteristic flavour?—Of course the flavour naturally is characteristic of the substance.

9511. That characteristic flavour not only distinguishes it from brandy, but by the flavour you can sub-divide whiskies into Scotch and Irish?—Yes, and into North Country, Campbeltown, and Lowland.

9512. Which classifications all depend on flavour?—Entirely.

9513. And not on the principal constituent, namely, ethylic alcohol?—That is so.

9514. So that any phraseology referring in past times to this spirit can scarcely be taken now as dominating the position at the present day?—I rather differ from you.

9515. Does it not weaken your argument?—No; I differ from you. I think that the aqua vitæ was the spirit derived from the process of distillation, and you have to find, as I do, historically what the distillation was from.

9516. But in different countries you have had aqua vitæ?—Yes, aqua vitæ would seem to be a generic term applied to strong spirits.

9517. Obtained by distillation from certain materials?—Yes, it was in France applied to brandy, the distillation of the grape.

9518. In more modern times we can come closer to the subject and demand for whiskey that it shall be spirit obtained from certain materials?—Yes, I think that is right.

9519. I notice that you have made a restriction in the number of materials which you grant now in your mash tub. You do not grant sugar now?—No, I do not, and yet I admit that whiskey apparently was made from sugar in the beginning of the nineteenth century, and that it might still be made from sugar; if it were made from sugar in Scotland it might still be Scotch whiskey.

9520. So that you will have to modify the definition of whiskey that you have just given us?—What I would have to modify would be my constituents of the mash tub.

9521. But have you not narrowed your constituents of the mash tub to malt and cereals?—I have said so, but if you produce to me a spirit from sugar which has all the characteristics of Scotch whiskey, then I cannot see that I should prevent you using it.

9522. Does not that place your trade in great danger?—I do not know. I am not sure. The question is, can you produce from sugar a spirit with the characteristics of Scotch whiskey?

9523. We have had considerable evidence to show that the fundamental bases of whiskey are the materials used, those materials being cereals, and the water and care in carrying out the various details of the process?—Yes, I think that is so.

9524. So far as we know now, and so far as regards the legitimate development of processes, it would be natural to start with some basis, some foundation. Would you lay yourself open to having that foundation altered by allowing foreign substances into your mash tub, I mean substances foreign to the present practice?—If they were not foreign to what could have been established to be the ancient practice. That is my argument.

9525. You think the flavour would always dominate?—I think so. The flavour would dominate the product and dominate the situation.

9526. You would be inclined to rest upon that?—Yes, I do not think that the scientific right, so to speak, of the manufacturer should be unduly limited

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9527. I have only in my mind this, that somebody might succeed in flavouring with essences a foreign spirit, and produce something that would be quite like your Scotch whiskey. What would you say to that?—If it is a foreign spirit it should not get the title of Scotch whiskey. I should say it would be a fraud to introduce a foreign spirit and sell it as Scotch whiskey.

9528. If you took a very old grain spirit and wished to get the malt flavour—you might do that by the addition of an essence—would that be Scotch whiskey?—No, I think the addition of essences should be ruled out.

9529. Is that in the direction of natural improvements?—No, I do not think so. I think it tends to a possible fraud.

9530. (*Dr. G. S. Buchanan.*) Do you find no justification for it in any old Scotch Act of Parliament?—No, I do not find any justification for it.

9531. (*Dr. Adeney.*) You must have a beginning for these spirits, a distillation from some materials?—Yes, they ought to be distilled in the country which gives its generic name.

9532. You are rather singular in your opinions amongst your brothers in the Scotch trade, are you not?—I could not say.

9533. I think you are the first witness who would allow anything but cereals in the mash tub?—That may be so, because probably my neighbours have never studied what whiskey was originally made from, and if they had found, as I have, that evidently sugar was used in the beginning of the 19th century, they would have to modify their opinions.

9534. You have no idea what was the flavour of that spirit?—I have no idea, but if the flavour made it a spirit so utterly distinct from the flavour of Scotch whiskey, then of course the customer would immediately detect it, and he would say "This is not whiskey."

9535. I am afraid your trade does not extend beyond the limits of Scotland?—We sent whiskey to London. You might have it in this hotel if you asked for it.

9536. So that you have experience of the English taste?—Yes, I have had whiskey returned to me from London, which was about as fine a malt whiskey as we can supply, because they did not like the flavour of it.

9537. Have you ever had patent still spirit returned to you?—No, never.

9538. Have you ever sold it as Scotch whiskey unblended with malt whiskey?—No, not unblended with malt whiskey—never to England. I have sold it blended.

9539. When your English customers ask you for Scotch whiskey you do not send them patent still spirit?—We send patent still spirit blended, and we also send pure malt.

9540. Not unblended pure patent still?—No.

9541. You would not venture to put forward patent still spirit as carrying the characteristic flavour of Scotch whiskey?—Yes, because I find in my own district some people desire to have pure patent still whiskey.

9542. But is it not quite possible to get patent still whiskey in England anywhere, practically? It is not dependent upon water and materials so much, is it?—I think you will get patent still whiskey in England, and perhaps too much of it.

9543. But how would you protect any other patent still spirit from being sold as Scotch patent still spirit?—I am afraid you cannot protect yourself against fraud. You might declare it was a fraud, and to an honourable man the fact that this was declared to be a fraud would deter him from using it.

9544. My point is that apparently, so far as present possibilities are concerned, there is no chance of the Irish pot still being copied in, say, England, or of the Scotch pot still being copied in England?—Being copied?

9545. I mean the spirit being produced in this country?—I do not think there is anything impossible.

9546. But it is not done at the present moment?—Not to my knowledge.

9547. But there is a considerable quantity, you may accept it from me, of good patent still spirit produced in Ireland?—Yes, I know, because I have bought it

9548. You accept my statement?—Yes.

9549. Is that very distinct in flavour from the Scotch?—I do not say very distinct, but we think there is a distinction.

9550. Do you think the ordinary customer could distinguish?—No.

9551. Or could an intelligent customer distinguish?—No. I do not think the ordinary customer is a connoisseur.

9552. But a man who can afford to pay a decent price for a fairly good whiskey?—If he has been in the habit of sampling different kinds he would know what he likes.

9553. I do not mean an expert, but a man who likes a glass of whiskey?—The ordinary buyer, no matter what his position in life, gets used to a particular type of whiskey, and if he changed that type, no matter whether you give him something better or something worse, he naturally objects to it.

9554. What is in my mind is this, that it seems to me the Scotch trade are practically secure in the reputation of their better blends with malt and patent still and with their malt; but when you come to such a lightly flavoured whiskey as patent still whiskey—I mean produced from a mash containing a considerable portion of malt and cereals—when you do that you are likely to lose outside of Scotland that reputation for a distinctive flavour. That is my trouble?—Of course, it is our care naturally that we do not lose that reputation.

9555. And you do not entrust that reputation to patent still spirit?—Of course I do not.

9556. Do you know anything of Irish whiskies?—Yes, we have some Irish whiskies.

9557. Do you blend them?—Yes, we also blend.

9558. Do you take great precaution in getting Irish patent still spirit to blend with Irish pot still spirit?—Yes, we never blend with an Irish whiskey anything but Irish produce. It must be Irish produce.

9559. What makes me ask you is that we had evidence yesterday to the effect that, here in London, English patent spirit is blended with Irish and Scotch pot still whiskies and called Irish and Scotch whiskey?—I have no knowledge of it. We invariably make our Irish blend of Irish produce.

9560. I think you are anxious to make some remarks as to figures applicable to the analyses of samples made by Dr. Teed?—I have no anxiety to.

9561. I simply wish to give you the opportunity if you would like to have it put on the notes?—What I wish to say is that, taking Dr. Teed's analyses, and taking the whiskies that he analysed, we can make blends of the patent and pot still which will come up to the standard. In some cases of 50 per cent., half-and-half, you come up to the standard. In another case of 75 per cent. of one and 25 per cent. of the other, you still come up to the standard. If the question is to be an analytical standard, you simply open up the possibilities of doctoring, and to say that whiskey may be doctored and still may be pure, to my mind is demoralising to the trade.

9562. So that you would object to any definition controlled by a chemical standard?—I would unquestionably.

9563. That brings you back to your definition being taken from the contents of your mash tub?—I suggest, if there is to be a definition, that it is in the mash tub surely that it is to be found. I do not say that it should be defined, provided that you cannot allege injury to public health, but I start with the if—if it is to be defined.

9564. Do you not think legitimate trading and legitimate progress in processes should be protected too?—Yes, I think legitimate trading always should be protected.

9565. And legitimate progress too?—Yes, and that consequently to bar the patent still which is a scientific development is, to my mind, contrary to the principle you enunciate.

9566. But you still will not be definite as to the contents of your mash tub?—No, I would not like to be definite because I have not the information that would justify me in attempting to create a standard.

You, the members of the Commission, may have amongst the many witnesses the premises which will enable you to arrive at a just conclusion, but I have not.

9567. But whatever is done, the flavour must remain ?—Of course. I think you could not have whiskey without having the flavour of whiskey.

9568. The characteristic flavour?—Yes, there should be.

9569. Suppose a new and very palatable spirit were devised which could be produced more cheaply than Scotch whiskey, you would require that that spirit should be called by some other name than whiskey. You would not regard that as the result of a legitimate progress or development of the processes employed in the formation of whiskey?—I am afraid that is too hypothetical to enable me to come to a proper conclusion. If a new method of manufacturing whiskey were devised, an improved still, and the product had all the characteristics of whiskey, it should not be barred because it has been arrived at by a different process.

9570. But you insist upon the flavour?—I say the matter will speak for itself. It a person gets whiskey which has no flavour or which he is not accustomed to he would change it. I do not think spirits of wine for instance—potato spirit—should be sold as whiskey. That seems to me your position.

9571. Yes.

9572. (*Mr. J. Y. Buchanan.*) I want to ask you a question about the contents of the mash tub. Would you make it obligatory to have malt in the mash tub or allow fermentation without malt?—All I can say about that is that malt has historically been a constituent of the mash tub in the manufacture of whiskey, and that being so it seems to me that if you are going to have a whiskey which has the historical attributes of whiskey you must have malt.

9573. Would you put any percentage as the minimum percentage of malt?—No, because I am not in a position to speak upon that.

9574. There is a matter on which you have given some information which is rather interesting, that is the use of the words grain and raw grain, which I would like to hear a little more about. We have had several times the use of the word grain in a manner not very well defined. It is as to the distinction of raw grain?—I may point out that the Act 38 George III., chapter 92, Section 7, obliges every distiller to give every week a Declaration of the respective quantities of malt and of unmalted grain used by him. Then Section 8 enacts "that all barley, beer, big or other corn or grain which shall be used unmalted or raw for distillation in Scotland should pay the like duty that malt now pays. I think that is one of the sections upon which I found my argument or statement, that obviously raw grain was used for the manufacture of whiskey in 1798.

9575. What I wanted to know was this: As a distiller, when you speak about grain whiskey you mean a whiskey that is made without malt?—I am not a distiller, of course. I am speaking merely historically that whiskey was made obviously from raw grain as well as from malted grain.

9576. But when you spoke of raw grain you meant grain without malt?—I meant grain which was not malted.

9577. (*Dr. Cushny.*) You say that Scotch whiskey is a spirit made in Scotland from malt and water with this special flavour?—Indigenous to Scotland.

9578. And that this can be diluted with more alcohol—patent still spirit?—Yes, I think that is really the use that is made of patent whiskey.

9579. I do not understand why you should object to its being diluted with patent still spirit made in another place?—Because, if it is to be sold as Scotch spirit or Scotch whiskey, it should certainly be the produce of Scotland. If it is to be sold as Irish whiskey it should be the produce of spirit made in Ireland. It cannot be said to be Scotch whiskey if it is half English and half Scotch.

9580. Supposing you sent to London a barrel of malt whiskey a little over proof and the London publican diluted it with London water, do you think it would lose its character of Scotch whiskey?—No, I think not, because the Legislature has admitted the right to the seller of spirit to sell it down to 25 u.p., and further, it presumes the right of the trader to dilute his whiskey under that.

9581. But you regard both the patent spirit and water practically as dilutants of malt whiskey, and you admit London water, but object to London patent spirit?—I would assume if you take a glass of Scotch whiskey with a tumbler of soda water made in England you would still think you were drinking Scotch whiskey. If you were drinking a whiskey and soda with Scotch whiskey the whiskey is certainly a constituent of the whiskey and soda.

9582. (*Chairman.*) You do not seem to approve of that blend?—Not of English spirits.

9583. (*Chairman.*) Will you kindly hand in the Acts of Parliament to which you have referred? (*Handed in. See Appendix H.*) You believe the contents of it are correct?—Yes. I wish to hand that in. I believe on my soul and conscience that it is absolutely correct.

9584. (*Chairman.*) You have the pleasure of knowing that it will go on the notes?—Thank you, my lord.

The witness withdrew.

Mr. JOHN LYON, called.

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9585. (*Dr. Bradford.*) What is your trade?—I am a licensed grocer.

9586. How long have you been carrying on that trade?—On my own account for 31 years.

9587. You have, in addition to that, several other posts? You are a director of the Scottish Trade Protection Society?—Yes.

9588. You are chairman of the Grocers' section of the Scottish Licensed Trade Defence Association?—Yes, I am.

9589. In the course of your trade have you been in the habit of blending whiskey?—Yes, I have blended for 29 years.

9590. You blend whiskey yourself, do you not?—I do.

9591. In addition to that, what other whiskies do you retail?—I retail any whiskey that the public wish.

9592. Some of them are so-called proprietary whiskies?—They are.

9593. Do you confine your trade to Scotch whiskies?—No, I have sold, and still try to sell, John Jameson's Irish whiskey.

9594. You have a certain trade in Irish whiskies?—I tried to make a trade. I was very anxious to see whether a good Irish whiskey would sell or not some 20 years ago, and I bought then, and for some years afterwards, a small quantity of Jameson's whiskey in wood from their agents in London who had control of the supply of Irish whiskey in the kingdom.

9595. Are we to understand when you first went into business you had no Irish trade, and you did not sell Irish whiskey?—That is so.

9596. And then you started it?—Then I started it.

9597. You have not such a large trade in Irish whiskey as in Scotch?—No. I should not be able to pay my licence if I depended on my sale of Irish whiskey.

9598. I should have asked you this before. Where is your business?—At the west end of Edinburgh.

9599. Do you think your experience as regards Irish whiskies is exceptional?—I think not in a locality such as Edinburgh. There are some manufacturing districts in the west where I understand there is a much larger demand for Irish whiskey.

9600. Then as regards these proprietary blends that you retail, I presume that was to meet a public

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demand?—Yes, sometimes that demand is created in rather a funny way I may tell you. Sometimes a member of a firm who wish to push a particular blend may come to reside in the locality and order from half-a-dozen or so different people two or three bottles of a particular whiskey. I have heard of that case.

9601. But still we may take it there is a large trade in these proprietary blends?—I cannot say that it is a large trade in Edinburgh.

9602. In what variety of whiskey is your own trade?—My own blend entirely.

9603. A blended Scotch whiskey?—A blended Scotch whiskey.

9604. Is that a blend of a malt and grain?—Yes, malt and grain.

9605. I presume you have a number of different blends—different percentages?—Yes, I have one blend entirely of Highland whiskies, but it does not sell retail, and I use it again for re-blending.

9606. The bulk of your sale is a blend of Highland whiskey with grain?—With Lowland malt and grain.

9607. All three?—Yes, all three.

9608. Could you tell the Commission what range there is in the percentage of malt whiskey in these different blends?—Yes.

9609. What is the range? What do they vary between?—Between 35 and 50.

9610. 35 per cent. of malt is the lowest percentage in a blend?—Yes.

9611. That is 35 per cent. of Highland and Lowland?—Yes.

9612. Not 35 per cent. of Highland?—No

9613. Have you any great trade in pure grain whiskies?—Not a great trade, but we do sell the pure grain occasionally.

9614. That does not compare in amount with the other?—No, not at all.

9615. Have you, in the course of your experience of the last 29 years, noticed any great change in the public demand as regards the character of whiskey?—No, I cannot say there is, but I think there has been a tendency on the part of all blenders to improve upon the quality of the whiskey.

9616. Was there much blending when you first went into business?—No. When I was in my father's place as a youngster there was practically no blending.

9617. The sale was practically in self whiskies?—They were nearly all self whiskies. Then there came a blending which you could not call blending at all, it was a mixing of one or two kinds put together and used immediately.

9618. You draw a distinction between mixing and blending?—Yes. That is what I refer to. I think that whiskies of different kinds put together require a considerable time before you are able to destroy or neutralise the special flavours of each. There is a tendency to blend, and we reckon about three months for the mixing of whiskies.

9619. Do you mean you think there is some slow continuous process going on in the mixed spirits?—Yes. They seem to amalgamate more thoroughly together. You lose the distinctive character of different whiskies.

9620. And that takes time?—It does.

9621. Has there been any change on the part of the public as regards the liking for an older whiskey?—Yes, I think there has. There has been a tendency of late years to push up the age of whiskies, and it seems to me, with the approval of the public. We are now much more often asked for a ten-year-old whiskey than we were six or eight years ago.

9622. You think the public has been educated to that by the trade?—I think so.

9623. Do you think that blending has been of advantage to the public?—Undoubtedly, an immense advantage.

9624. In what way?—You get sometimes, and almost always, the desired body that you wish, a much finer flavour than you could get in almost any single whiskey.

9625. Would it be correct to gather from your statement that there is much demand for self whiskies of any kind at the present time—I mean as far as your own trade is concerned?—As far as my own trade is concerned, almost none at all.

9626. No self whiskies of any kind?—No self whiskies of any kind.

9627. You state in your *précis* that the blending of whiskey in bond is of the greatest possible advantage to dealer, retailer and consumer?—Yes.

9628. Would you just elaborate that a little, and explain to us what you mean? How is it to the advantage of the dealer, for example?—In this particular way it is an advantage to the dealer because he, by his skill, may have created such a blend of whiskey that no other one is particularly able to follow.

9629. How is it an advantage to the retailer?—It is an advantage to the retailer from the fact that he may clear one cask of blended whiskey, which will meet the requirements of his business; whereas in the old days, unless he sold single whiskies, he had to blend in his premises, which first of all requires room, and then also there was a greater amount of outlay for duty.

9630. Finally, how is it an advantage as regards the consumer? What do you say?—I think the consumer gets a whiskey that pleases him better than he could possibly get otherwise.

9631. My point was rather this: how does the question of blending in bond affect the consumer?—As I have already pointed out, you have had the extra time whereby these spirits are rounded and made smooth, and I should think after lying a year or two years it is a very much better spirit than could possibly be got otherwise.

9632. I suppose your point is that the cost is less in bond than if it is done out of bond?—It is, and of course you could mix many different kinds. As I say, I have that blend of Highland malt whiskies which consists of whiskies from five different distilleries. I use part of that blend of Highland malts along with three Lowland whiskies for making a blend for the public consumption. Therefore I think it is very much better.

9633. As arising out of this, how would you calculate the age of the blend? How do you arrive at that?—By the average.

9634. Simply by the average?—Yes.

9635. Do you take into consideration at all the quantity—the volume of the various whiskies used?—Yes.

9636. You take that also into consideration?—Yes.

9637. Now as regards the labelling of these whiskies. What has been your custom as regards the labelling of your whiskies?—I have never called my whiskey anything else than Scotch whiskey. I never have used the word "malt" either in price lists or on labels. I have price lists of 1880, 1892, and 1905.

9638. You have simply called them Scotch whiskey?—Yes.

9639. But some of these blends are mixtures of malt with a considerable quantity of grain spirit?—Yes.

9640. And others are blends of different varieties of malt, are they not?—Only one.

9641. Are those similarly labelled?—They are all labelled the same.

9642. Do you think it is of any importance to the public that the consumer should be told that the whiskey he is drinking contains a malt whiskey?—I do not think so.

9643. You are simply blending that all as Scotch whiskey?—Yes.

9644. You would not draw any distinction according to the amount, the percentage, of malt whiskey present?—I think not.

9645. Would you label a pure grain spirit as Scotch whiskey?—I would if it was made in Scotland.

9646. What is your view as regards what would determine the term Scotch whiskey?—Whiskey made in Scotland.

9647. You do not mind what it is made from?—Yes, I do. I think I say in my *précis* that it ought to be made from cereals. I should not like to see roots used in the manufacture in Scotland.

9648. It should be made from cereals and made in Scotland?—Yes.

9649. Now with reference to the keeping of whiskey, and an age limit. You are in favour of an age limit, I understand?—I am, but I have made a suggestion.

9650. I will come to that in a moment. You are in favour of an age limit?—I am.

9651. Would you select any arbitrary age?—Not less than two years.

9652. You consider that whiskey younger than two years is injurious?—I think that is my own experience.

9653. That is your own experience? You have seen injurious effects from it?—Yes. I may be wrong, but I fancy that my digestion has been affected by drinking a little whiskey that is rather new.

9654. You are alluding to your own personal experience?—Yes.

9655. You make some suggestions in your *précis* with regard to the duty that should be paid on whiskies?—Yes. I wrote to the Chancellor of the Exchequer.

9656. Would you tell the Commission shortly what your suggestion is as regards that?—I thought at the time that the duty should be varied according to the youth of the whiskey ——

9657. That the younger whiskey should pay a higher duty?—Yes, that the younger whiskey should pay a higher duty. As I say in my *précis* that would enable those who wished to get new spirit for any particular purpose, or to provide the bite which I see some witnesses have been speaking of here. If they wished to give people a bite they would have to pay a little more for getting that.

9658. I will leave Mr. Guillemard to deal with that side of the question. Do you think that all whiskey, including grain whiskey, improves by keeping?—Yes.

9659. So that you would make your age limit apply to all varieties?—I would.

9660. (*Mr. Guillemard.*) With regard to the last point, I notice that the further suggestion you made involved a loss of revenue. I do not know what answer Mr. Asquith made to you. Was he unsympathetic?—No, he acknowledged the receipt of the letter.

9661. Which was what you might call non-committal?—Yes.

9662. Is it vital to your scheme? You start with a duty, and you knock off bits of it as the thing gets older?—Yes.

9663. Would it equally meet your view—I have no doubt it would meet Mr. Asquith's view better—if you started with the duty a little higher and knocked it down at its lowest point to what it is now?—Would there be any difference?

9664. Yes, there would be a great difference from Mr. Asquith's point of view. Would it be the same thing from your point of view?—You mean from the present rate of duty?

9665. I mean graded up instead of down?—It is six of one and half-a-dozen of the other.

9666. It would be all right from your point of view?—Yes, much the same. I cannot see what the difference is.

9667. Cannot you see it from Mr. Asquith's point of view?—No.

9668. At present your suggestion is that some whiskey should pay 11s. and some 9s.?—Yes.

9669. I suggest you should put it in the form that some should pay 11s. and some 13s.?—It is a question of scale.

9670. Are you contending only for some scale?—Yes. You are speaking of the matter of volume?

9671. Yes?—That would be more for Mr. Asquith. If it is going up in that way it would so affect the sale of whiskey that he would lose more than he gained.

9672. (*Dr. G. S. Buchanan.*) Do you sell whiskey in Edinburgh over the counter or only in bottle?—According to the Scotch certificate we are entitled to sell in any quantity.

9673. Do you sell it by the glass?—We do not sell it by the glass but we can sell it by the gill, but not for consumption on the premises.

9674. Can you sell it by measure to be drunk on the premises?—No, we have no consumption on the premises.

9675. In the case of the bottles, those are in each case labelled as you have told us?—Yes.

9676. And labelled Scotch whiskey in all cases?—Yes, except, of course, when it is Irish whiskey.

9677. When you sell by the bottle do you label it in bond?—I do not do so, but it can be done quite well.

9678. You bottle in bond?—No, I do not, unless it is for shipment abroad.

9679. You blend in bond, and bottle outside?—Yes.

9680. Would it be of any advantage to your business or to the trade generally if you could do what some witness advocated, that is, reduce the whiskey in bond—add water to it in bond?—Yes, in many cases it would be a help, but we have no particular need for it. It would add to the cost of the article because you would have the bond expenses to pay, and the labour, apart from your own expenses, which would make it dearer.

9681. (*Dr. Adeney.*) Would you have to pay on the handling of the increased bulk?—Yes.

9682. (*Dr. G. S. Buchanan.*) On any of your whiskies do you declare on the labels the alcoholic strength?—Only on one I have, which is 33 per cent. under proof, and that is declared on the label, but all the others are stronger than the limit of 25 degrees below proof.

9683. (*Dr. Adeney.*) You say that you were disappointed in your efforts to push John Jameson's Irish whiskies amongst your customers?—That is so.

9684. That was not a singular experience with reference to pot still whiskies? You had the same experience with Scotch pot still whiskies?—We never tried it until just of late years.

9685. Did I gather from you that you were not selling much of the self Scotch whiskies?—That is so.

9686. Not of pot still whiskies?—That is so.

9687. You had a similar experience with them?—Yes.

9688. There was no singularity in your Irish experience?—That is so, but I expected to sell much more of Irish from the character of John Jameson and from the way I liked it myself.

9689. You no doubt liked the malt whiskies of Scotland?—Yes.

9690. Did your customers differ from you?—As a rule.

9691. Have you tried to sell blends of Irish whiskey?—No.

9692. (*Mr. J. Y. Buchanan.*) You have told us that when you started in the trade you sold mostly self whiskies?—That was when I was a lad in my father's shop.

9693. And now you sell hardly any?—That is so.

9694. It is almost all blended?—Yes.

9695. Have you observed at all that the whiskey which the public demand is steadying, as it were, into a certain type—I mean that they generally take a certain type of whiskey, and that the extremes are being separated out?—Yes. I think I had a very good instance of that lately. A gentleman who came from Morayshire asked me for a good whiskey, and knowing where he came from, I thought he would like this blend of old Highland malts, so I sent it to him. The next time he called upon me he said: "Now, I do not want that whiskey, it is probably very fine, but I cannot stand it, it is much too heavy for me." I was disappointed because I thought I was going to meet his taste by giving him Highland whiskey.

9696. What did he like?—The blend.

9697. The blend of malt and grain?—Yes.

9698. Do you think in that way in your experience the type of whiskey which meets with general approval is steadying into something like the type of brandy? There are, of course, different classes of brandy, but I mean that the two would be comparable? If you were selling brandy you would have different classes of brandy, as you have in whiskey different classes of whiskey; but you would find that your customers as a rule took a certain definite type of brandy as you think they do a whiskey? I would like to know whether your experience points in that way?—I do not know that I quite apprehend your question, but as was alluded to by Mr. Keith, the liking for

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whiskies in the west is more pronouncedly in favour of flavoured whiskies than it is with us in the east.

9699. What I meant was, would the margin be greater in favour of whiskies than it is in brandies? Can you form an idea on the subject?—People in Scotland do not buy brandy for drinking purposes; it is generally for medicinal purposes.

9700. I do not think you follow my question. Supposing you were in France and they took brandies—there are various brandies—no doubt it steadies into a blend. Do you think whiskey is steadying as nearly into a general blend as brandies have done where they drink brandy?—I do not think it is possible to speak of the products of the different forms as a general blend. Blending is general, but I do not think you could say there is any particular similarity.

9701. You do not think it has gone that length?—No.

9702. (*Dr. Adeney.*) Do you think the question of the cost of self whiskies as compared with blends has influenced the trade at all?—I do not think so. I do not think they like them at any price.

9703. Were you able to sell those Jameson's whiskies at the same price as you sold some of your blends or any of your blends?—Practically. I thought it was a dear whiskey to start with, but on my price list I have here, the 10 year old John Jameson's—it is now rather more than that—we sell at 4s. a bottle.

9704. You do not think that the taste of the public has followed the direction of cheapness?—I think not.

9705. It has been a change of taste?—Yes.

9706. (*Dr. G. S. Buchanan.*) It has followed the direction of the greater profit to the seller?—Not necessarily, I think

The witness withdrew.

Adjourned to to-morrow at 12 o'clock.

EIGHTEENTH DAY,

Wednesday, 20th May, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. R. Bowes.

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Mr. ROBERT BOWES, called.

9707. (*Dr. Adeney.*) You reside, I believe, in North Frederick-street, Glasgow?—Those are my business premises.

9708. You are a wine and spirit merchant in Glasgow?—Yes.

9709. How many years have you carried on your trade?—Since I was first licensed as a grocer in 1872.

9710. How long did you carry on business as a licensed grocer?—About thirteen years.

9711. How have you been engaged since the year 1880?—I carried on the grocer's business along with the spirit shops.

9712. Have you any public-houses in Glasgow?—I have only two now, but at one time I had four.

9713. What classes of whiskey do you sell?—The ordinary blended whiskies.

9714. Is that Scotch whiskey?—Yes.

9715. Do you sell Irish whiskey?—Yes, a little.

9716. You do not sell pure malt or pure grain spirit, do you?—I do not sell any pure grain. It is all blended whiskey.

9717. Do you sell any pure malt?—No, I do not sell any pure malt.

9718. Can you give us any idea as to the proportions of malt in your blending? I do not want to press you for an answer if you prefer not to give it?—I have no objection to tell you. Some contain two-thirds of malt and one-third of grain, and others have four-fifths; it depends on the price.

9719. Four-fifths of malt do you mean?—No, four-fifths of grain against one-fifth of malt. That is for a 6d. whiskey—the cheap whiskey.

9720. You have 80 per cent. of grain?—Yes.

9721. What is the difference in price?—Do you mean the cost price?

9722. I mean the proportion?—There may be about 1s. a gallon difference in price.

9723. I see from your *précis* you have dealt in Cambus whiskey?—Yes.

9724. That is a pure grain whiskey?—That is a pure grain whiskey.

9725. But you have not sold much of it?—Not singly.

9726. You use it for blending?—Yes.

9727. Do you blend yourself?—I blend it all in bond. It is blended according to my own instructions. I send in so much whiskey of each kind.

9728. Do you think yourself it would be a practical impossibility to limit the proportion of malt whiskey in a blend in order that that blend should be called Scotch whiskey?—I think so.

9729. You do not think it is practicable?—No.

9730. And you would not desire it?—So far as I am concerned it is not wanted very much, but I think it meets all the requirements of the case by calling it Scotch whiskey. They are all Scotch whiskies as well as the pot still whiskies.

9731. Do you attempt any classification of these whiskies for the information of the consumer? Would you distinguish a malt whiskey from a grain whiskey or a blend containing a considerable portion of malt?—No, because I do not think it would be any benefit to the consumer.

9732. Provided he gets his spirit at a fair price?—Provided he gets a particular spirit that suits his taste.

9733. And at the same time, if his taste goes in the direction of a cheap spirit, he does not pay the price of the dear spirit?—He certainly does not. If he pays 6d. a gill for whiskey he does not pay at the rate of 10d.

9734. What do you supply to your consumers when they ask for whiskey?—The blended whiskey.

9735. When do you supply Irish?—When they ask for Irish we give it to them.

9736. What do you give?—We give what we get—a blend. I have never kept any individual whiskey of Irish manufacture or Irish distillation.

9737. You do not blend that whiskey yourself?—No, I get that from Ireland already blended.

9738. Is that blended in accordance with your instructions?—No; I get it blended because it is a very small item of my business altogether.

9739. I suppose you have some Irish customers and they ask for it?—Sometimes Scotch people like it.

9740. Do you think a man who buys a glass of whiskey over the counter and asks for whiskey knows he is getting a blend?—I believe about 95 per cent. of the customers who come in know perfectly well they are getting a blended whiskey.

9741. And they would prefer that to getting a pure malt whiskey?—My experience is that those who get pure malt whiskey do not like it at all.

9742. If they want a pure malt what would they ask for?—They might come in and say: "Have you any Glen Grant?"

9743. They would ask for some designation?—Yes, such as any particular distillery probably, say, Ardbeg for example.

9744. Do you sell any of the proprietary blends that we see advertised in London?—No, the only one I keep is Henry Thompson's, which is really an inheritance of one of my shops. When I bought that shop it was still there and I kept it on. I sell very little of it.

9745. What would be your definition of whiskey?—From the distillation, do you mean?

9746. Yes?—So far as I have been able to ascertain, pot still whiskey is made from malt, malted barley and probably a little raw cereals such as corn, bere, etc.

9747. Would you allow the term "whiskey" to be applied to the spirit obtained from the patent still?—Yes.

9748. Would you put any limit on the materials used in the patent still?—I think about 25 to 30 per cent. of malt.

9749. What about the other materials used in the mash tub for the patent still?—I understand maize and other cereals.

9750. You would not allow sugar?—I do not profess to have entered into that.

9751. I see from your *précis* that when you commenced the business in 1872 you blended Islay and Campbeltown?—Yes.

9752. Has your experience shown that you had to make a change?—Yes, a lot of customers were complaining of the nauseous flavour and the higher taste, the peat, and so on. I suppose you would term them ethers.

9753. You had to alter your blend to meet the change in taste, do you mean?—Yes.

9754. It was not to meet a reduction in the price?—No.

9755. It was really to meet a change in taste?—Yes.

9756. Can you tell us the minimum age or the average age of your blends? I do not want to go too closely into the secrets of your business?—I have no hesitation in telling you. I unfortunately hold a large stock of whiskey of 1897, 1896, and so on.

9757. What would be the average?—About seven years old.

9758. How is the patent still whiskey known in the trade in Scotland to your knowledge?—The patent still whiskey is known as Cambus or Cameron Bridge.

9759. That is a particular patent still?—Yes, those are different distilleries.

9760. But how is the patent still spirit generally known in the trade to your knowledge?—Just as grain whiskey.

9761. How do you term grain whiskey yourself in your own catalogues?—Just "grain whiskey." Under the heading of "grain whiskies" of course various distilleries are designated.

9762. Do these vary in value according to age?—Yes.

9763. Do they vary much in value?—Yes, they have increased in price very considerably.

9764. Can you give us any idea what is the increase?—In some instances I have got as high as 10 per cent. on some of the whiskies, and some more.

9765. What age is that 10 per cent. calculated on?—It depends on when you turn it over. If you turn it over in three years probably it is 10 per cent. per annum; but now you cannot get 3 per cent. Some was sold at a loss a short time ago after paying rent.

9766. That is an accident owing to the conditions of the trade?—Yes.

9767. Does the patent still spirit improve in quality by ageing?—Yes, it does.

9768. Do you think you could distinguish between Scotch patent still spirit and an Irish patent still spirit?—I would not like to say I could. I have seen some Irish patent still spirit that was coming very near to what you may call some of the Scotch patent still whiskies.

9769. And there is good patent still spirit produced in London, is there not?—I could not tell you. I never saw any of it.

9770. So that although it may be claimed for the patent still whiskey that it is not flavourless, still it is not characteristic?—Oh, yes, there is a characteristic about it.

9771. But it is not sufficiently characteristic to enable you easily to determine whether it is Irish produce or Scotch produce?—I have never given my attention to that so very much.

9772. Would you agree to a limit of age for all whiskies?—Yes, I would agree to a limit of age.

9773. Do you think that advisable?—Yes, very advisable.

9774. Do you think that would prejudice or be in any way a disadvantage to the trade?—I do not think it would be much of a disadvantage except to some of them who wanted to use whiskies new.

9775. You would prefer not to see new whiskies used?—Yes. I would prefer to see the whiskey over two years old, if not three.

9776. That is for the benefit of the consumer?—That is for the benefit of the consumer and for the benefit of the trade generally, I think; but I may say if that is done there is a small matter that would have to be considered. Sometimes we have found, for instance, a porous stave would occur, and we are ordered by the Excise to remove it. If it came in before the time limit, what are you to do with it?

9777. I see from your *précis* you would consent to labels notifying to the public that the bottles contained a malt whiskey or a grain whiskey or a blend?—Yes, that is if you are going to use grain whiskey alone.

9778. Do I understand that you would agree to labels showing a certain classification of Scotch whiskey which may be either a malt whiskey or a grain whiskey or a blended whiskey?—No. I think the public are sufficiently informed if they get a selection of good old Scotch whiskey without distinguishing the malt whiskey or anything that is in the blend.

9779. But how would you convey that information to the consumer?—I think the consumer would be perfectly well aware of the fact.

9780. But you would not put a label on the bottles?—No, I would not put a label on the bottles saying so much malt or so much grain.

9781. I am not asking you that question, but supposing, taking your own *précis*, that the bottles contain a malt whiskey or a grain whiskey or a blended whiskey, ought the consumer to be given that information by means of a label on the bottles? Do you

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understand my question?—I can hardly follow what you mean. You mean whether you would have "grain whiskey" put on the label or not?

9782. You would not object to the term "grain whiskey"?—I would not object if it was really grain whiskey, but I should certainly object if it was a blend of malt and grain.

9783. If it was a blend of malt and grain you would not object to the word "blend"?—A blend of Scotch whiskies.

9784. You would not object to it being labelled malt if it was wholly malt?—No.

9785. But I understand you would object to putting proportions of malt and grain in the blend?—Certainly.

9786. Have you ever known of potato spirit being used in the Scotch whiskey trade?—I have heard about it, but I do not know anything about it myself.

9787. You would object to it?—I certainly would.

9788. (*Dr. Horace T. Brown.*) You were speaking about the ageing of whiskey. What is the minimum age desirable for a malt whiskey, do you think?—I think it depends very much on the style of malt whiskey you use. For instance, Ardbeg whiskey would take a longer time to mature than a lighter made whiskey from the north country.

9789. Take the average Highland whiskey?—Not less than from three to four years old.

9790. But you would not propose to put on a limit to that extent?—Certainly not.

9791. But at the same time you think it is not desirable that it should be consumed until it is three or four years old?—I do not say it is not desirable to be consumed, but so far as I am concerned myself I should prefer the whiskey was of that age before I would use it.

9792. Would you impose the same limit on grain whiskey?—No, I do not think I would. I think grain whiskey matures much quicker than malt whiskey would.

9793. But you would have to treat them both alike, would you not?—No, I do not think so.

9794. You would like to see a different limit of age put on malt whiskey?—Not a different limit. I say over two years for all whiskies.

9795. Including grain?—Including grain.

9796. Do you think grain whiskey requires maturing for two years before being fit to drink?—I think it is the better for it.

9797. Are you not rather handicapping the grain whiskey for the sake of the malt whiskey?—No, I do not think so.

9798. (*Dr. G. S. Buchanan.*) Glasgow is very largely a centre of business for whiskey, is it not?—Yes.

9799. The Glasgow public know a good deal about malt whiskey and grain whiskey?—Do you mean the ordinary customers?

9800. They know more about it than, we will say, the people in London?—I do not know what the London people know about it.

9801. There are distilleries in and about Glasgow, and whiskey business of one sort and another being transacted very largely in Glasgow?—Yes, I believe the general public know a great deal more about whiskey than the public in London do. It seems to me the London people have to take what they get in a great number of instances.

9802. We have had evidence given before us to the effect that whiskey was sold as old Scotch whiskey in London which was new grain whiskey with 10 per cent. of malt whiskey. Would you regard that as a satisfactory specimen of Scotch whiskey?—No, I do not think I would.

9803. Your cheapest blend, I think you tell us, would contain about one-fifth of malt whiskey, and have age both in the malt and in the grain?—Yes, the average is about three years old.

9804. That "old Scotch whiskey" that was sold in London in that way we were told was 35 under proof. Is that a dilution that is common in Scotland?—No.

9805. It was protected by a label?—It may be, but I do not know of any spirit merchant in Glasgow who would sell whiskey anything like that. About 22 or 23 under proof would be the very most, and that only for the cheapest blends.

9806. You have your whiskey blended for you in bond?—Yes.

9807. By your own instructions?—Yes, by the quantities I send in.

9808. And you also blend yourself in your cellars?—Yes, I may add something else to them after they get back to my cellars.

9809. Could you say, with regard to what you blend yourself in your cellars, if you always know what the contents of a particular cask are in regard to the amount of malt whiskey in it?—Yes.

9810. You would know that?—Yes, I know what is put into it.

9811. Would you ever have that recorded in your stock book?—No, it is not recorded in the stock book at all. You get your permit from the Excise or the Customs people, and you enter it as you get it there—so many gallons of whiskey at a certain strength.

9812. But for the purposes of your own business, apart from the Excise altogether, if you mix whiskies in your own cellars do you keep any record as to what you mix at any particular time?—You mean to say, do I keep a note of the blend?

9813. Yes?—I simply put in a little extra fine malt to create a better impression if I think the whiskey is a little thinner than I like it.

9814. One witness told us it would be a convenience if reduction of whiskey was allowed in bond. Have you any observations to make on that point?—I think I would object to that.

9815. On what ground?—I think it gives the bond store keeper too many facilities.

9816. It would tend to drive all blending into bond?—I do not think any person would be inclined to do that, because he would require to pay store rent on water, and I do not think that is necessary. I would not do it.

9817. The witness meant reducing in bond before the whiskey came out?—Yes, if it was reduced at the time it was blended and put in, that is all the advantage I can see in it.

9818. One question with regard to malt whiskey. If any of your customers want a malt whiskey you say they would ask for it by the name of a particular distillery that they happened to know?—Yes.

9819. Is it your practice to advertise or to push malt whiskey from the particular distilleries?—Do you mean to say to exhibit them in my shops?

9820. Yes?—No.

9821. (*Dr. Adeney.*) How does the blend of Irish whiskey that you get compare in price with your Scotch blends?—The blend that I get just now I can buy a little cheaper than what I make my Scotch blends from.

9822. It is cheaper?—Yes.

9823. Appreciably cheaper?—Not very much.

9824. What is your opinion as to its quality?—It is a very good whiskey that I get.

9825. Would you drink it yourself?—I prefer Scotch.

9826. Have you any idea of the proportion of malt?—No, I have not.

9827. You could not judge that from the price you pay?—No, I do not think I could judge it from the price I pay.

9828. Are you satisfied that it does contain malt whiskey?—Yes, I am satisfied it contains a proportion, but what it may be I cannot tell you. I do not think it would be more than one-third.

9829. (*Mr. J. Y. Buchanan.*) Could you tell me what you mean by this sentence in your *précis*, "Since 1880 I have carried on solely the business of an 'On' wine and spirit merchant"?—That means drinking on the premises. With a grocer's licence you cannot consume on the premises.

9830. One of your public-houses is in North Frederick-street?—Yes.

9831. Where is the other?—In Rutherglen-road.

9832. A very different locality?—Yes.

9833. Is there any difference in the whiskey drunk in those different places?—No, they are just removed

out of bond and reduced. It is the same class of whiskey. I may not use the higher class, such as my "Four Star" whiskey, in that locality because it is a poorer locality, but I do keep a little of it in bottle. I do not draft it.

9834. We heard that in Glasgow there is a good deal of pure grain whiskey or patent still whiskey sold in some districts. Is that your experience?—Yes, I see in some localities a notice "Pure Cambus sold here—ten years old." I know one gentleman who has sold pure Cambus for the last twenty years.

9835. One of the witnesses told us he had traced a kind of connection between the occupations of the people and the whiskey they preferred, and he said that the shoemakers and tailors preferred the grain whiskey, which was a light one?—That is not my experience of my own business, but on the Queensferry side, and some portions outside Edinburgh, I have found, on visiting those localities, that they do consume the grain whiskey.

9836. The miners like that?—I am not referring to the miners more especially than to a great number of other people residing in the locality.

9837. But still a very large amount of pure grain whiskey is drunk in Scotland?—There may be. I cannot say I am conversant with that. I went into a place the other day to see what the 10-year old Cambus was like. I think myself it is a nice pure light whiskey which you do not have very much trouble in drinking, and you do not feel any bad effects from it.

9838. You say at present your customers are getting extra value owing to the former boom, and that you have still large quantities of old whiskies?—Yes.

9839. At the time in 1895 and 1896 when the stock was being developed, would the customer get a much newer whiskey?—Yes, I believe he would. Blends would be improved to the extent of two or three years just now as compared with that time.

9840. The advantage that the consumer is getting at present is accidental?—Yes.

9841. And I suppose you hope it will cease soon?—I have no desire that they should get anything worse put before them, but at the same time the profits are not so good just now.

The witness withdrew.

Mr. Daniel McEwen, called.

9842. (*Dr. G. S. Buchanan.*) Are you the senior partner of the firm of D. and J. McEwen, licensed grocers and wine merchants of Stirling?—I am.

9843. You have seven branches in Stirlingshire, Perthshire, and Inverness-shire?—Yes.

9844. Your firm is of long standing?—Yes, 104 years now.

9845. And you personally have been engaged in the sale and blending of whiskey for the last 50 years?—Yes, fully that.

9846. The trade that your firm does is chiefly what is termed a family trade, is it not?—A high-class family trade.

9847. Can you tell us about your sales and the kind of whiskey which forms the majority of your sales?—Highland malts and Lowland malts to a very great extent.

9848. The majority of your sales have been in Highland and Lowland malts?—Yes, blended together.

9849. (*Chairman.*) Blended—not self?—No, my lord.

9850. (*Dr. G. S. Buchanan.*) Then, besides blending Highland and Lowland malts you have other kinds of whiskey in which you have used a considerable quantity of grain?—We use a quantity of grain for our cheaper blends.

9851. During all your experience you can say that both kinds of blends are being bought and sold as whiskey?—Both.

9852. You never imagined until the events of a few years ago that the term "whiskey" should be restricted to pot still whiskey?—No. We always considered both kinds as whiskey—both malt and patent still.

9853. You considered that one was as much entitled to be called whiskey as the other, just as there is cane sugar and beet sugar?—Yes.

9854. Those are different in their source of manufacture, but are both named sugars?—Yes, the same applies to the two kinds of whiskey, malt and grain.

9855. The purchaser of sugar may want to know and may expect to know whether he is getting cane sugar or whether he is getting beet sugar?—That is a fact, because besides being whiskey merchants we are extensive grocers, and we are frequently asked for cane sugar as against beet sugar, and in the same way we are asked for malt whiskey as against grain whiskey.

9856. And if you are asked for it with that qualification you think you should give it?—Yes, certainly.

9857. You wish to say that to recommend that malt whiskey should not be allowed to be blended with grain whiskey would completely revolutionise the trade, and you urge a variety of objections which have already been made to us by many other witnesses?—I think it would completely ruin the whiskey trade.

9858. Could you tell us something about the change in the taste of the public as to the sale and consumption of whiskey?—There is a growing tendency to drink now a blend of malt and grain. There can be no doubt of that. At the present time our sales continue yet to be to a great extent, a great deal, at any rate, of pure malt, but our sale of blended whiskey is increasing.

9859. The blends which you sell containing grain whiskey are blends in which malt whiskey still preponderates?—To a very great extent.

9860. For the kind of trade that you ordinarily conduct, the high-class whiskey trade, the difference that you have made is to add a certain amount of grain, but not to make grain the preponderating partner in the combination?—That is so. I may say that 20 per cent. of grain and 80 per cent. of malt forms the principal blend that we sell.

9861. Can you tell me, as a practical point, whether the blueing of the malt whiskey by itself makes a difference to the sale?—I believe that very much depends on the water that is used. If the water contains a quantity of lime in it it has a tendency to make the whiskey blue when it is reduced.

9862. Have you had any experience of people objecting to malt whiskey simply on the ground that it is discoloured?—No, we never have.

9863. Your best blends are blended in bond, are they not?—Yes, all in bond.

9864. To your order, or have you bonded warehouses of your own?—We have no bonded warehouses in Stirling, but we send all our whiskies into Glasgow and get them blended there from the different distilleries.

9865. (*Chairman.*) In bond or outside?—In bond, my lord.

9866. (*Dr. G. S. Buchanan.*) The cheap blends for which you have not such a large sale you blend in your own cellars?—We do.

9867. When you blend in your own cellars do you keep for your own information any record or book which shows what the constituents are?—No, we do not in these cheaper blends. Our sale of these cheaper blends is so limited that it is not worth our while.

9868. There would be no difficulty about it if you wished to do it?—None whatever.

9869. You keep some of the proprietary advertised blends?—We do in bottles, but we do not push the sale of them at all.

9870. You think your own blend is better?—We think our own blend is better, and better value.

9871. The average of your blends varies from four to twelve years?—That is so.

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9872. Does that mean that no whiskey at the present time is being sold with a younger average age than four years?—No, we very seldom clear any from bond under four years old, either malt or grain.

9873. In the case of the blend which averages four years, can you say anything about the youngest constituent—what is its age?—About three or four years. We very seldom take any whiskey out of bond under three or four years old.

9874. You are not using any new whiskey at the present time?—No, we never clear any new whiskey from bond.

9875. You say in your *précis* that you still have a considerable demand for pure pot still whiskey eight to ten years old?—We have one particular blend that we make a speciality of, and it is ten years' old malt—old malt. We sell a very considerable quantity of that.

9876. Some of your customers will drink nothing else?—That is so.

9877. Do they know it is all malt?—Yes, they do. We make it known.

9878. Is it stated on the label?—It is not stated on the label, but it is stated in our whiskey and wine list that we guarantee it to be pure malt.

9879. On the other hand, to meet the growing taste, you say you have been forced recently to use a proportion of five to ten years' old grain in one or two of your highest priced blends, and there is a growing tendency on the part of the public for such blends?—There is.

9880. Your sales have increased since you introduced that?—They have materially increased for that special blend.

9881. Also there are some of your customers who have old grain merely?—We have a number of customers who will drink nothing else but pure old grain, Cambus, or Cameron Bridge, or Carse Bridge, but these are limited.

9882. You tell us that you are selling less brandy at the same time that you are increasing your whiskey trade?—Yes, our brandy trade is decreasing, and the whiskey trade is increasing.

9883. You think that is to some extent due to whiskey being recommended medically?—Yes, and owing to the fact that the whiskey is sold much older than it used to be.

9884. (*Dr. Adeney.*) Do you mean by that that it is a better quality?—Better quality. The age has improved it.

9885. (*Dr. G. S. Buchanan.*) You are of opinion that whiskey ought not to be labelled as Scotch whiskey in the case of a blend unless it is made up of malt and grain whiskey, both manufactured in Scotland?—Yes.

9886. You would apply the same remark to Irish whiskey?—Yes.

9887. And you object to whiskey made from molasses being described as whiskey at all?—We do.

9888. With regard to labelling, which is a matter we have been having evidence about, I understand that you would approve of all self whiskies being labelled as malt or grain, as the case may be?—We do. We sell a good many self whiskies from particular distilleries, and we label them with the particular distillery at which they are manufactured.

9889. (*Dr. Adeney.*) Do you sell Irish whiskey similarly?—Very little. We sell it in bottles, and it is labelled Irish; but we do not sell very much, I think.

9890. Do you add the name of the distillery?—We have John Jameson—that is all.

9891. Is that on the label?—Yes. We sell very very little Irish in our district.

9892. (*Dr. G. S. Buchanan.*) You would approve of putting on a label, in the case of self whiskey, "malt whiskey," or "grain whiskey," and in the case of blends of malt and grain the fact that it is a blend of malt and grain?—Yes, that it is a blend of malt and grain.

9893. Then there is the further difficulty that we have been considering, as to how to distinguish the fact that the malt whiskey preponderates in the blend?—I made a suggestion that where the grain whiskey preponderates it should be marked "Grain and malt," and, on the other hand, when malt preponderates that you should call it "Malt and grain." It might be a little protection to the public, but not very much, I am afraid.

9894. (*Dr. Adeney.*) Do you think a rough classification, such as you suggest now, would be advisable for the benefit of the consumer?—I think it would have a little effect, once the public came to know it.

9895. Do you think it would be advisable on behalf of the trade?—Yes, I do think so.

9896. Do you think it would be a protection?—It would be a protection, to a certain extent.

9897. (*Dr. G. S. Buchanan.*) You are familiar with the necessity of grocers having to label coffee mixed with chicory as a mixture of coffee and chicory?—Yes.

9898. They do not give the percentage of each, but they sell it as a mixture?—Yes.

9899. Are you aware of the difficulty that has arisen—in some parts of England, at any rate—it may not have done in Scotland—where the chicory amounts to 70 or 80 per cent., and the coffee is reduced correspondingly?—I believe that is so, and I suppose the same thing applies to whiskey.

9900. The circumstance that they are able to sell as a mixture of coffee and chicory a mixture which is pretty nearly all chicory has caused very considerable dissatisfaction?—I see there is that difficulty.

9901. And the same proposal has been advocated by traders and by public authorities that a line should be drawn at which the description should be "Coffee and chicory," or "Chicory and coffee"?—Yes.

9902. You would probably object to indicate on your labels the proportions of malt and grain whiskey in your blends?—Yes; I think it would be unfair to the blenders, and particularly the large blenders, who have formed such a huge trade, to ask them to do so and show the secrets of their trade.

9903. Supposing that a line was drawn in the matter of description in the way you suggest, it would be necessary to have some means of control over the labelling that we do not possess at present, and that some public authority should have some means of controlling the labels?—Yes; but I do not see how it could be done.

9904. You do not wish to make any suggestion?—No.

9905. Assuming that there was the obligation to put on the label whether you were giving a blend of malt or grain, and whether you were giving grain whiskey, would you have any objection, as a trader, to a check being applied by some properly appointed officer of the Excise, or local authority?—None whatever; as a firm, we would have no objection.

9906. Even if it went to the extent of from time to time checking the invoices?—None whatever.

9907. Would you approve of an age limit of two years in bond at least?—Yes.

9908. But you think this should be applied to all spirits?—To all spirits.

9909. Including gin?—Including gin.

9910. Do you think that that is really material and necessary to apply the two years' limit to gin?—I have no experience in gin, so I really cannot speak particularly about it, but for all other spirits I think the public would get a better article if the spirits were kept in bond for at least two years.

9911. You were going to show us an old purchase book in which are entered the whiskies purchased as far back as 1851?—If the Commission wish to see it I have brought it with me.

9912. The point you wish to make is that various grain whiskies are there invoiced as whiskey. "Kilbagie" grain whiskey and Cambus grain are both called "whiskey"?—Yes, they are both whiskey, and are entered in our bonding book as whiskey at that date.

9913. And also frequently "aqua"?—Yes.

9914. Which may apply also to malt?—Yes.

9915. (*Dr. Horace T. Brown.*) You told us that a Scotch whiskey must be a whiskey distilled in Scotland?—Yes.

9916. Then you would not admit that a mixture of Scotch malt whiskey and an English grain spirit could be legitimately called "Scotch whiskey"?—

No, it would be a hybrid whiskey; it would not be a Scotch whiskey.

9917. Would you have any objection to it being called a blended Scotch whiskey?—Yes, you could certainly call it a blended whiskey, but not a blended Scotch whiskey.

9918. What would you propose to call it?—A blended whiskey. If you put an English whiskey and a Scotch whiskey together I should certainly call it blended whiskey.

9919. Supposing it was a whiskey with the Scotch characteristics?—But still, if it was partly of English manufacture I do not think it is entitled to be called a Scotch whiskey.

9920-1. How would you differentiate two blended whiskies of that kind? Supposing one is Scotch and the other Irish?—You could not call them either Scotch or Irish. You would call it a blended whiskey. A blended malt whiskey you could call it, or a blended grain whiskey, but not a blended Scotch whiskey, nor yet a blended Irish whiskey.

9922. Blended whiskey with Irish or Scotch characteristics?—You could put anything you like on the label.

9923. (*Dr. G. S. Buchanan.*) A blend of Scotch malt and English grain?—You would require to designate it on the label.

9924. (*Dr. Adeney.*) If the produce of the two countries were blended together you would require it simply to be called a blended whiskey, or some adjective description?—You would require to add something at the end of your label to tell the public it is a blend of Scotch or English, or a blend of Scotch and Irish, beside the words "blended whiskey."

9925. (*Dr. Horace T. Brown.*) Your arguments for an age limit are based, I suppose, simply on the fact that the public will get a better article?—Yes, and from my own practical experience that whiskey improves so much by being kept in bond for a few years.

9926. Is not that an argument that might be applied to many other things—wines, beer, ciders, and so on?—One knows an old wine is very much better than a young one.

9927. But you would not consider that the wine merchant should not be allowed to sell his produce at any age he thinks fit?—My principal reason is, I think the public would get a much better article, and it would be much better for them.

9928. That principle applies to a good many other things?—It may.

9929. Would you carry your principle to its logical conclusion?—It depends on the article.

9930. (*Dr. Cushny.*) I suppose most of your customers order whiskey by some special brand, do not they?—They ask for some of our special blends—either our special or our registered blend, which we have called "Sterlini," that is a pure malt, and they ask for that, or they ask for our "special," and others again ask for a self whiskey.

9931. How much information do you give your customers about those blends? Supposing a man takes your list and sees a special brand or an extra special blend, what does he know about it?—He does not ask; he judges by his own taste and the respectability of the merchant. He has confidence in the merchant, and he knows you are giving him a good article. It is the whiskey he likes, and he continues to take it.

9932. He never knows how much grain there is, for example, and how much malt?—No. If a customer asks me "How much grain is there in this whiskey" I would tell him exactly what there was. We do not hesitate to tell them that.

9933. (*Dr. Bradford.*) But he does not ask as a matter of fact?—No, he does not ask.

9934. (*Dr. G. S. Buchanan.*) I understand that you distinguish between grain and malt and blends in your catalogues and lists?—We have it marked distinctly "This is a pure malt whiskey," but with regard to others we do not say what those contain.

The witness withdrew.

Mr. H. C. Craig, called.

9935. (*Chairman.*) You are a director of Dunville and Co., Limited, of Belfast?—Yes.

9936. Are there two limited companies now?—The distillery was obliged to be made into a limited company on account of the Excise regulations. The law will not allow you to be a dealer and have a distillery within two miles, so we had to get round that.

9937. One company is called Dunville and Co., Limited?—Yes.

9938. Which business does that carry on?—They are wine and spirit merchants and blenders—the original company.

9939. Where do you carry on that business?—In Belfast.

9940. Then there is another company called William Dunville and Co., Limited?—Yes.

9941. How is that distinguished from the first company?—It is an evasion of the law.

9942. I do not want to go into any question of evading the law, but there is a second company carrying on the business of distillers?—Yes.

9943. What are they called?—William Dunville and Co., Limited.

9944. Dunville and Co. are dealers, and William Dunville and Co. are distillers?—They are the same company.

9945. One is called Dunville and Co., and the other is called William Dunville and Co.?—That is so.

9946. When did this process that you have described as an evasion of the law take place? When did you commence your distilling business?—In 1869.

9947. You were dealers up to that time?—From 100 years ago.

9948. 1808?—Yes.

9949. And then in 1869 you became distillers?—We added a distillery to the business.

9950. In your distillery what is your process—patent still or pot still?—We make both patent still and pot still.

9951. Have you always done that?—Always.

9952. Since 1869?—Yes.

9953. In what proportions?—I would rather not answer that question.

9954. A general statement will suffice. Do you make more pot still or more patent still?—Ever so much more patent still. The patent still is largely in excess.

9955. Do you also blend?—Yes.

9956. I suppose you only blend your Irish whiskey—your patent still and pot still?—Our Irish whiskey—only our own. We are the only blenders, we believe, who sell their own produce from their own distillery.

9957. You do not blend Scotch at all?—Oh, yes.

9958. Where do you get your Scotch from?—We get the Scotch malt from Scotland, and up to the time of the Islington case we used our own patent still spirit.

9959. By malt you mean malt whiskey?—Yes.

9960. Did you get patent still whiskey or grain whiskey from Scotland?—No. Up to the Islington case we used our own patent still whiskey, but since then we have bought the patent still whiskey from Scotland.

9961. Have you any objection to telling us, has this blend with Scotch whiskey now become an important part of your trade, and is it now considerable?—No, it does not form a very large portion of our trade at all—in fact, it is a sort of adjunct to it.

9962. What has caused you to blend Scotch whiskey? Is it the taste and demand?—Yes. Customers with

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every confidence in us as knowing about whiskies have asked us to supply them with a Scotch whiskey.

9963. Why do you not adhere to your Irish whiskey? Why do you want to go to Scotland?—We are business men, and we want to make as much money as we can.

9964. Is it that you can make more profit by blending in this way with Scotch whiskey?—I do not follow your lordship.

9965. I want to know why you do not adhere to your Irish whiskey, and why you go to Scotland?—We do adhere to it. We sell as much Irish as ever we can.

9966. Is it because there is simply a demand for it, and you meet your customers' demand, or is it because you can blend more cheaply?—No, we are in business and we sell wines as well.

9967. But keep to the whiskey for the moment. I want to know why you blend with Scotch. You say you are business men and wish to do your business as well as you can. Do you blend with Scotch whiskey because your customers ask for that, or because it is more profitable to you to blend it in the shape of getting a cheaper commodity?—I cannot quite follow the question.

9968. You say you blend with Scotch whiskey?—Do you mean the Scotch whiskey that we sell?

9969. The Scotch whiskey that you get to blend?—Yes.

9970. You have to send to Scotland for it, or Scotland sends it to you. Why do you go to Scotland for it instead of keeping to your Irish whiskey? You say it is because you are business men?—I follow you now. This last three years I have made pot still Scotch whiskey, but there is none on the market yet. We had to get the malt whiskey from Scotland because it is higher in the flavours, it is peaty, and although there is some made in Ireland there is not sufficient.

9971. When you say you make Scotch whiskey, what do you mean by that?—After the Islington case—the decision was so absurd—we had a quantity of malt left, and we made all malt whiskey; we also dried some with peat, and it made just as good Scotch whiskey as that made in Scotland.

9972. I understand you make it in Ireland?—Yes.

9973. Then why do you call it Scotch whiskey?—I have not called any of that Scotch whiskey yet, because it is only just made.

9974. (*Dr. G. S. Buchanan.*) It is a Scotch type of whiskey?—It is a Scotch type of whiskey.

9975. (*Dr. Adeney.*) You have not put any on the market?—No.

9976. (*Dr. G. S. Buchanan.*) A type of Scotch malt pot still whiskey?—Yes, exactly the same.

9977. (*Chairman.*) I want to get from you what I have not yet got. You have changed your mode of procedure by blending with what you call Scotch whiskey?—No, we have not changed the procedure, it is still our Irish manufacture. We have added to our business and supplied those customers who have asked us to supply them with Scotch whiskey.

9978. Why have you changed it so as to supply them with Scotch whiskey? Is it because your customers have asked you for it, or because you can produce it more cheaply, and get a greater profit?—Customers have asked for Scotch whiskey.

9979. Is it better for you, as a matter of business in relation to profit, so to supply it, or could you make as much if you supplied only Irish whiskey?—It is an addition.

9980. You will not bring your mind to the question. I am asking you as to the cost of production, which is the cheaper to produce—what you have now called your Scotch whiskey or your old original Irish whiskey. Which is the cheaper as regards materials?—They are both very much the same, except in the one case, where we distilled the pot, we have now to pay the Scotch distillers' profit.

9981. What is the result? Which costs you more to produce, this which is pure Irish whiskey, or this which is partly Scotch whiskey?—It is very much the same cost.

9982. Then I presume your motive in producing it, if there is a difference in profit, must be because there is a demand for it, and your customers have asked for it?—The customers have asked for it.

9983. Is there a demand for it?—Yes.

9984. Has this blending of Scotch and Irish whiskey been increasing?—No. The Scotch, so far as we are concerned, is only a very small drop in the ocean.

9985. Are you selling now Irish whiskey in a considerable quantity, blended?—Yes, all blended unless the other is specifically asked for.

9986. Is your business principally in Ireland, or do you export to England?—It is all over the world.

9987. Foreign trade?—Yes, and enormously in London.

9988. And English consumption?—Yes.

9989. Do you export to Scotland at all?—Oh, yes.

9990. Do you know whether they are using your Irish whiskey for blending in Scotland?—No, my lord. Long ago our trade with Scotland was much greater than it is at present, but that was in the days when they tried to make them take the Scotch pot or the self pot whiskey in Scotland, but as soon as they reduced it and made it thinner it then competed with the Irish whiskey, and now there is a great deal of patent still alone sent to Scotland.

9991. The patent still production in Scotland is a substitute for your Irish whiskey of olden times?—Yes.

9992. When your Irish whiskey went to Scotland, in the olden times, was it designated as self or individual whiskey, or was it an old blend?—It was an old blend. That is, since the patent still.

9993. (*Dr. G. S. Buchanan.*) It was patent still whiskey which you made that went to Scotland for blending?—We are not distillers, in the ordinary sense, selling to the trade. We had a very considerable trade as blenders. We then added the distillery, and then made all our own whiskey afterwards. The whiskey that we sent was in bulk as a blend.

9994. (*Chairman.*) I want your assistance from the Irish point of view. What is your idea of the meaning of the word "whiskey"? First of all, its derivation, and next its ordinary application?—I agree very much with the explanation that Mr. Keith gave yesterday as far as details are concerned. I rather fancy the actual word "whiskey" is English, rather than Irish or Scotch.

9995. Your attention has been called to Mr. Keith's evidence, and perhaps it may save time if I asked whether you, on the whole, agree with the account he gave of the origin of the word?—Yes, my lord; his evidence practically agrees with the researches I made myself.

9996. (*Dr. Adeney.*) Did he not say it was derived from a Celtic word?—I am not sufficient of a scholar to know the difference between Celtic and Gaelic.

9997. Mr. Keith suggested it was derived from the Celtic, but you say it is English?—The word is English, but the difficulty of pronouncing the word "usquebaugh" has twisted it round, because "usquebaugh" clearly was not whiskey.

9998. (*Chairman.*) With regard to Ireland, you refer to a statute of 1735, which would be the 9 of George II., cap. 8?—Yes.

9999. That is an Act which was passed to prevent the evil arising by the retailers of "beer, ale, brandy, rum, Geneva, aqua vitæ, and other spirituous liquors" giving credit to day labourers?—That is so.

10000. You treat the aqua vitæ as being whiskey?—I want to argue this way, that if the word "whiskey" had been in common use in those days it would have been put in in such an Act.

10001. The word "whiskey" was not in common use, but whiskey was in common use, so they had to deal with it by statute. In your opinion, did aqua vitæ refer to whiskey, or not?—Yes.

10002. Then you refer to the Scotch Act of 1736, and I think that was mentioned by Mr. Keith?—Yes.

10003. "Aqua vitæ" occurs there?—Yes.

10004. Your deduction from that is that if the word "whiskey" was in common use it would have been employed in the statute?—It might reasonably have been put in in those days.

10005. I must go to your poetical knowledge now. I believe the first time you can find the word "whiskey" is in a poem of Burns, in September, 1785?—That is so.

10006. Can you give us generally how the word comes in?—That is a poem to some person called Lapraik; I think he must have been his landlord, and the words "whiskey" and "usquebae" are both used.

10007. It is rather unusual for a man to address a poem to his landlord?—He made two or three of them.

10008. We had better see that?—When I say he was his landlord I believe he was. Here is a copy of the poem and there is the word "whiskie." (*Producing book of poems.*)

10009. This is an edition of Burns without a date, but there is a poem here of September 13th, 1785, addressed to J. Lapraik?—Yes.

10010. Will you read it?—

"But browster wives an' whiskie stills,
They are the muses,
Your friendship, sir, I winna quat it,
An' if ye mak objections at it,
Then han in nieve some day we'll knot it
An' witness take,
An' when wi' Usquebae we've wat it,
It winna break."

10011. That is in 1785. As far as you know, was that the first use of the word "whiskey"?—It is the first that I have been able to find, but the word would probably be in common use before that date.

10012. We have got before that, "aqua vitæ" and "usquebaugh," but the word "whiskey" was first used in 1785 as far as you know?—As far as I know.

10013. About the same time there is an Inland Revenue report from 1786 to 1798 where a licence fee of £2 is imposed, and from 1799 to 1805 there is a higher licence fee imposed of £6. The phrase used there, I believe, is "whiskey factors"?—Yes, there is a licence here for whiskey factors from 1799 to 1805.

10014. A £6 licence?—It was raised from £2 to £6 in 1799.

10015. But in both those periods when it was £2 and when it is £6 the words "whiskey factors" are the words used?—Yes.

10016. That is very much at the same time that Burns was using it?—Yes.

10017. That word "whiskey" seems to have dropped out in the Excise duty after a time?—Entirely. It is the only occasion, as far as I know, when they have used it officially.

10018. You would not know any reason why it dropped out, you only know the fact that you could not find it?—That is all.

10019. Did you know of the use of the word "spirits" as distinguished from whiskey"?—Yes, my lord, when I was a child in the country they did not use the word "whiskey," but they used the word "spirits."

10020. In Ireland?—Yes, or any part of the world.

10021. I suppose the fact was that locally there was scarcely any spirit drunk but whiskey?—That is so.

10022. You would not have much brandy drunk in the north of Ireland?—No, not very much.

10023. Nor gin?—No, I should say gin very seldom, if at all.

10024. When the general term is used it would convey to the ordinary person that it was a spirit that they would get, and that that would be whiskey?—Yes.

10025. And therefore you would have the word generally applied?—In this old report of the previous Commission of 1799 the words are used synonymously. One Commissioner seems to use the word "whiskey" and another to use the word "spirits."

10026. What is that report?—This very old report that Dr. Brown has referred to where the words are used as synonymous by two of the Commissioners.

10027. Would you give the reference to that report?—It is page 506 of the old Committee's report of 1799. Perhaps I might ask Dr. Brown to read the passage?

10028. (*Dr. Horace T. Brown.*) This is the passage you refer to: "It is, however, upon these inaccurate statements and calculations of Mr. Taylor that Dr. Jeffray builds his supposition of the quantity of spirits made in 1786 without any other ground whatever of similarity between the year 1786 and the year 1794. He says: 'The question is not who drinks whiskey, or who does not, but how many gallons of whiskey are made.' But it is well known that some distillers with the same sized utensils have made twice as much spirits in one year as they did in another." The words "whiskey" and "spirits" are apparently used to express the same thing. That refers to 1786.

10029. (*Chairman.*) I will see if I can get from you what you say is a fair definition or explanation to give to the word "whiskey"?—Whiskey is an alcoholic drink made palatable by direct distillation from almost anything and anyhow. That is the definition of what it is up to the present.

10030. From anything or anyhow?—Almost anything or anyhow.

10031. Supposing you could distil apple juice or currant juice, would you have no limit as to the ingredient?—You did not ask me if I had any limit, but you asked me what whiskey was.

10032. I asked you what you thought was a fair definition of the word "whiskey"?—That is a fair definition of "whiskey" up to the present.

10033. You said, "made of anything and anyhow." We have not had that up to the present?—Oh, yes, you have had it made out of most wonderful things.

10034. What do you mean by "anything or anyhow"?—The evidence of the old Acts and the Revenue reports, which go to show it was made out of almost anything that contained starch that could be converted.

10035. Must there be any malt in it?—I think plenty of whiskey has been made without malt.

10036. Or grain?—Yes, without grain.

10037. Without any malt or any grain?—Yes, it has been made out of potatoes and turnips and treacle.

10038. Supposing you have a well-distilled decoction of turnip juice, you would call that whiskey?—It has not been made lately so far as I know.

10039. Of course it has not, but I wanted to know what your definition was, and what you thought would be a fair composition to be called whiskey. You would not have anything that could be made, would you?—No, if something has to be done, then one of the cereal definitions is quite enough.

10040. But I want to know the ingredients. You have not touched on the ingredients except by the words "anything and anyhow"?—That is what it has been in the past.

10041. What do you think now?—Any of the cereal definitions would be a perfectly fair thing at present.

10042. Then you do think that cereals ought to be employed?—You asked me first what whiskey is.

10043. No, I did not, indeed. I asked you what you thought was a fair definition of whiskey. There may be surreptitious makes, and I am not dealing with those. The Commission want to know what ought to be the condition of things. What, in your opinion is a fair definition of the word "whiskey"?—At the very end of my *précis* I say, "A cereal definition such as Mr. Walter's would raise no objection from anyone."

10044. Had we better not strike out the words "made of anything or anyhow." You do not mean that, surely?—As an individual, I do not see why it should not be made in that way, but as a trader, I do not mind the cereal definition. As an individual I do not see why you should stop progress.

10045. But definitions must be based on things that exist. What do you suggest, other than cereals and malt, you can make whiskey out of?—You can make alcohol from anything containing starch or sugar.

10046. But I am talking of whiskey?—But whiskey is largely alcohol.

10047. This is a whiskey Commission, and will you give us your attention to what we are inquiring about? Do you think the introduction of malt and cereals is a necessary factor in the making of whiskey?—As at present made, yes.

10048. We are dealing with whiskey as it is. Would you call a thing whiskey where there was no malt and no cereals?—Yes, my lord. There has not been any question of it made in the past.

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10049. Of what?—Of whiskey made without malt and without cereals too. Any grain was prohibited by statute to be used for making spirits.

10050. When and where has this whiskey been made without malt and without cereals, and pray tell us what it was made of, if you will?—It was prohibited to make any aqua vitæ or spirits at all for two years from grain. I hold that the distillers had to supply the demand, and they made it out of treacle and turnips, and all sorts of things.

10051. To your knowledge is anything of that kind going on now?—Oh, no, but history repeats itself.

10052. What do you think now is the proper definition of the word "whiskey"?—A cereal definition such as Mr. Walter's is quite sufficient.

10053. He does include cereals?—Yes.

10054. And malt?—Yes.

10055. Do you think that is right?—Yes.

10056. I do not want to cross-examine you, but that gets rid of your words "anything and anyhow." If Mr. Walter is right he would not include "anything and anyhow"?—No, Mr. Walter was confined to a specific point in the police court, which he had to disprove.

10057. It is thought by some of my colleagues that you are drawing a distinction between what whiskey was in the past and what whiskey is now. I ask you distinctly what you now think should be the definition?—I distinctly think now that the cereal definition would meet the whole case if anything has to be done.

10058. That is what Mr. Walter dealt with?—Yes. There have been several of them.

10059. Do you think that in order that a compound should be called whiskey it should be made of cereals and malt, or cereals only?—Cereals only.

10060. And no malt?—Malt is a cereal.

10061. At any rate, that is required; but if you were told "This is made of turnip juice, or potato juice," would you think that ought to be called whiskey?—I have never seen it, unless any of the German spirit I have seen has been made from it.

10062. Should it be called whiskey?—Yes. So far as the German spirit that I have seen is concerned, I could not tell the difference.

10063. Would any trader think that that spirit made from potatoes or turnips should be called whiskey?—Personally, if you ask me, I cannot see the difference. The personal position is so much mixed up with trading, that it is difficult to discriminate.

10064. (*Dr. Horace T. Brown.*) You cannot tell the difference between foreign silent spirit and patent still grain spirit?—No.

10065. (*Dr. Adeney.*) No difference in flavour?—If you put three samples before me, one of them made in Ireland, and one made in Scotland, and one made in Germany, they would all be different.

10066. In what?—In flavours.

10067. Is not that the predominant point about the whole thing that enables you to distinguish those three spirits?—The difference is so easy.

10068. But what is the difference due to? If you had had Hollands and Geneva, what is the difference due to?—The Hollands and the Geneva are different owing to the materials added.

10069. Is not it all a question of flavour?—Entirely, but you cannot standardise the flavour.

10070. The flavour is sufficiently strong to distinguish beyond doubt?—Personally, I would not like to lift one and say what it was.

10071. After tasting it?—No. You can tell that there is a great difference.

10072. You do not claim to be an expert, but some of the witnesses have claimed that they can tell?—To lift one and tell whether it was German, Scotch, or Irish?

10073. Yes?—I could not, personally.

10074. Are you confining your replies now to patent still spirit, or to all spirits?—In answering your question I am referring entirely to patent still spirit, but it follows with pot still as well.

10075. (*Chairman.*) Do you think that any person, therefore, is entitled to call it anything he likes, and say "I call this whiskey, and therefore I will sell it as whiskey"?—Up to the present that has been the case, my lord, if it is the product of direct distillation.

10076. A person may call anything whiskey if he likes, and, I suppose, call anything he likes cider, or give any name to it that he thinks right?—Anything that has been distilled.

10077. Anything that goes through a still may be called whiskey?—Up to the present.

10078. (*Dr. Adeney.*) Could brandy be called whiskey?—I do not know whether the law allows us to bring grapes into a distillery. I could not answer that without looking it up. Anything that goes into a distillery is defined.

10079. (*Chairman.*) We have got now from you that anything that goes through a still that a person chooses to give the name of whiskey to you would allow him to do it?—I say that that is what has been done up to the present.

10080. Surely up to the present what people have been drinking as whiskey has had some malt in it and some grain?—Yes. None of these things, so far as I can possibly find out, have been done in the last forty years. The Inland Revenue authorities would be able to settle these points.

10081. But I want your definition. Although they have not done it, according to you if they did it it would be all right?—Yes, certainly.

10082. I have a great respect for a free trader, but you have gone beyond anything that I should have expected?—I am only quoting facts from history and the old Acts.

10083. I am not asking you about the old Acts, but I am asking you what you think should be the definition of the word "whiskey" now?—A cereal definition.

10084. You have been telling us that if it went through a still and was made from potatoes or turnips it should be whiskey, and now you say it should be from cereals?—I say up to the present moment if I make it out of potatoes or turnips it is still whiskey—if I choose to do so.

10085. If you say it is so up to the present, do you wish any alteration made?—It is not made out of any of those things now, and if the cereal definition is made it would do no harm; but we do not know that it may not be taken away again, the same as it was long ago. It was prohibited altogether long ago.

10086. There have been some writings as to what is required to be whiskey. You have the report of a Revenue officer, Samuel Morewood, have you not, in the year 1823?—Yes, my lord. On page 8 of his preface he says one-fourth of malt must be used, "as required by law."

10087. What is that document? Is it an official report?—No. This man Samuel Morewood was an Excise officer, and, in fact, all the books on the subject are written by Excise officials.

10088. Just read what he says?—He says: "The cost of manufacture therefore in January, 1824, may be fairly estimated at the following proportion, namely, one-fourth of malt as required by law."

10089. Can you trace that out and tell us what that means?—The inference is that the law said that they must use not less than one-fourth.

10090. If it is the law it must be by statute, but you have not been able to find the statute?—I have a statute of 1823: George IV. cap. 94, section 91.

10091. This is the section: "Every distiller shall from time to time, within three days after the end of every distilling period, deliver to the proper officer all the mashing permits which shall have been granted for malt used in making the wort or wash distilled in the distillery of such distiller during such period; and if the quantity of malt so used, as appearing by such permits, shall be less than after the rate of one bushel of malt for every ten gallons of proof spirits in respect of which such distiller became chargeable during such period, then and in such case every such distiller shall, for and in respect of every bushel of malt so appearing to be deficient, forfeit the sum of 5s.: Provided always, that in case any such distiller shall, within six days after the expiration of such

period, pay to the proper collector of Excise a sum after the rate of two shillings and sixpence for every bushel of malt so deficient, then such distiller shall not be proceeded against for such penalty, and such sum so paid shall be placed by such collector to the account of the duties payable on malt." That qualifies it. It seems to me in one sense it forbids it being done, and yet a man could get out of the penalty by paying 2s. 6d. Then Section 93 says that if the distiller should use malt only he can claim an allowance?—That is a drawback.

10092. That is a kind of bounty for using malt only?—Yes, my lord.

10093. Then there is the Inland Revenue report of 1870?—Yes.

10094. Do you know anything of the practice that had grown up of smuggling whiskey that was made illegally? I do not know whether that is a matter which has come before you at all?—Except in searching through the old records. There seems to have been scarcely anything in Ireland but the smuggled whiskey. There were so many smugglers. In that report the Inland Revenue people themselves say of their own regulations, etc.: "They were, however, at the same time so stringent and so ill-contrived as to prevent the licensed distiller from producing spirits equal in quality to those of the smugglers."

10095. And more than half of the spirits consumed were supplied by the smugglers?—Yes.

10096. I suppose if that was the competition while the smuggling production was so great as that, there would be a very rough production, I suppose, compared to what it is now?—Yes, it cannot have been anything like what is produced at present or so carefully looked after by modern distillers.

10097. Probably that is shown by this which you have just pointed out, that there is a drawback or an allowance of 1s. when malt was used only, and probably that was to raise the standard of the spirit?—Oh, no. The fact that in Scotland an allowance or a drawback of so much a gallon was allowed on all malt spirit must necessarily have helped to stereotype the use of all malt in Scotland. That is the inference I wish to draw from that.

10098. Was that drawback allowed only for Scotland?—At that time. Afterwards the Union came, and of course this very Act you have read is after the Union.

10099. Of course it was?—But in Scotland, long before the Union with Ireland, they allowed a drawback of 1s. 2d. per gallon. Mr. Keith explained that yesterday.

10100. Was not the principle there the same, that they wanted to raise the quality of the whiskey by obtaining as much malt to be used as possible?—It is the other way about, is it not? They allowed them a drawback of 1s. 2d. a gallon.

10101. What do you say was the object of that allowance?—Oh, I beg your pardon. The fact that they got a drawback would make them use a malt. Your lordship is quite right, but it would be in the agricultural interest.

10102. Then on the next page of your *précis* you have got an article upon the popular taste for smuggled whiskey?—There was an almanack and directory published by Loftus for the Inland Revenue, and I came upon one of 1861 in which there is rather a long article.

10103. Is it "Loftus's Inland Revenue Almanack"?—Yes, of 1861, page 5.

10104. What is the general effect of it?—There is an argument for and against myself, but what I wanted to point to was this passage: "The legal distiller, on the other hand, looking chiefly to large produce and the amount of saleable spirit yielded by his materials, reckons every pound or ounce of unconverted extract that may be left in his wash as so much loss, and therefore urges fermentation to its utmost importance. Thus, although the smuggler as a rule gets less spirit than the regular distiller from the same quantity of malt, yet his produce is estimated to be so superior in quality and in flavour as to compensate him for the deficient bulk."

10105. Do you know who Loftus was?—I do not know who he was, but it is the name of the man who prepares all the books and almanacks for the Inland Revenue people.

10106. There is one other Act of 1760 that I want you to refer to?—That is an Act of George II. That is the one I had to search up in the House of Commons, and I could not get a copy of it. I have verified every extract.

10107. Is it 1760?—I have it as 1760.

10108. At any rate it is a statute in the reign of George II.?—Yes.

10109. That recites that all previous restrictions are repealed, and throws distillers open to wheat, barley "or any other kind of grain"?—That is so.

10110. Have you verified this?—I have, my lord.

10111. You have not got more exact words than those I have just read?—I did not copy out the whole thing because it was very lengthy, but I only wish to emphasise that it leaves it open to "or any other kind of grain." When the Corn Laws were repealed maize would naturally fall in, and was undoubtedly used, but as against that in the Inland Revenue Report they say that with the Revenue sanction in 1858 and 1859 experiments were made with rice. I do not understand that, because rice is a cereal.

10112. I want that a little more specifically given. That was a Report of the Inland Revenue which says that in 1858 and 1859 experiments were made with rice?—It says: "In 1858 and 1859 experiments were made with our sanction in the distillation from rice. This process has since been successfully, but not extensively, adopted. The alterations made in our distillery laws somewhat later than the period of which we are treating removed the legal obstacles to its general adoption."

10113. (*Dr. Horace T. Brown.*) That is a particular process apparently?—I could find nothing after this statute of George II., where it throws it open to any other kind of grain, that takes the privilege away, and I do not understand why they needed a special permission for the use of rice.

10114. It probably refers to the acid conversion of rice, and that permission was granted for the particular way of transforming the rice, rather than for the use of rice in the ordinary process?—It might have been that.

10115. (*Chairman.*) You have got, I think, a copy of the "Belfast Newsletter" of 1813?—Yes, my lord.

10116. Have you got an advertisement there of your own firm?—Yes, it was then called Napier and Dunville.

10117. But you are their successors?—Yes.

10118. What is the whiskey called there?—It is called "Old Corn Whiskey."

10119. What do you understand that to mean?—I do not exactly know how to describe it, but it simply shows that as far back as that there was not a thing that was just specifically called "whiskey." There were differences even as far back as that in advertisements and other things of that sort.

10120. What is the meaning to you of the word "corn" there?—In my early days, in the North of Ireland, oats were always called corn, but I fancy there it must mean all grain, although they did make whiskey from oats only in Ireland.

10121. Would it include any malt in it?—Oh, yes, some of the oats would be malted.

10122. You have got three advertisements in 1814 with the word "whiskey" only?—Yes.

10123. Do you draw any distinction between the corn whiskey and the "whiskey" only?—I only produce those advertisements to show that as far back as that a distinction of a sort was made, and it was not called just "whiskey."

10124. There must have been some distinction between the "corn whiskey" and "whiskey"? Then you go on to 1828, when you have an advertisement?—Yes; "220 puncheons of old malt and grain whiskey."

10125. I suppose that speaks for itself. That was a compound of malt and grain?—I merely instance these. I cannot draw any inference whether it would mean a proportion of the 220 puncheons were malt whiskey.

10126. But from your knowledge of the subject as an expert I should have thought you would have said

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that referred to the whole 220 puncheons being of one quality, and that the quality applied to all—it was all: "Old malt and grain"?—But against that I have the old private stock books of 1831, and there they call it quite distinctly: "Malt whiskey" as one series, and the other is grain whiskey.

10127. I thought they both called it grain and malt?—Yes, but they separate it. Here is the book. (*Producing book.*) There is grain and there is malt.

10128. This is the 31st December, 1831: "Whiskey grain and whiskey malt." Are they different duties or the same?—The same duty. Some of that is taken in duty paid, and some is taken in in bond.

10129. Your point is that there you have got whiskey grain, and there you have got whiskey malt?—Yes.

10130. That does look as if they were two distinct things?—In those days they were kept absolutely separate.

10131. What is your idea about the grain? Would it be without any malt, or mixed?—No, that is what is known as ordinary pot still whiskey.

10132. But that is 1831?—Yes.

10133. What was the manufacture of the grain when you got grain whiskey? What were the materials, do you think, in those days?—I can only say from old books it was made from all sorts of materials, but I presume it was barley.

10134. (*Dr. Horace T Brown.*) It would be converted by malt?—Yes.

10135. (*Dr. Adeney.*) A mixture of malt and unmalted grain?—Yes.

10136. (*Chairman.*) Have you any trace, in those days, of the whiskey being made of grain without malt at all?—No, my lord, except in the records of these old books.

10137. Will you summarise what you say is the result of what you have found in these books and in these advertisements as to the old manufacture of whiskey?—I cannot summarise it any further than at first they tried to get a palatable alcoholic drink by distillation from almost anything. It is quite definite in this little book by Scarisbrick.

10138. Of course, as we know in the old time that you are speaking of, the still that was used was the pot still?—Yes, there does not seem to have been any other still till somewhere about 1800.

10139. When, as far as you know, was the patent still first introduced into the Irish distilleries?—Mr. Virtue gave evidence to that effect, and I saw the correspondence. They must have got a still very shortly after it was advertised. I forget the exact date it was advertised.

10140. We know the patent still was in 1831?—But they got it within a year or two.

10141. Do you know when your predecessors used the patent still?—As far as I can make out, when we as blenders obtained the patent still whiskey it came under the category of grain. We cannot separate it in our books, and cannot find out when we first used it.

10142. Can you give me at all the time? Take it very generally, when do you think you first began to use the patent still?—I cannot give any date, but we have used it for a very long time.

10143. 50 or 60 years ago?—Yes.

10144. You have used both, have you not?—Yes.

10145. Do you make any difference in the materials you use in the pot still and in the patent still?—We have never used anything at all but grain converted with malt in both.

10146. Any difference in proportion?—Yes, there is a difference in proportion in malt and patent still.

10147. When you use the patent still and when you use the pot still is there a known difference of proportion in the ingredients used between the two processes?—I do not quite follow.

10148. You use the pot still, and you use the patent still?—Yes.

10149. You use malt in both and grain in both?—That is so.

10150. In either one of those, the pot still and the patent still, is there a difference in the proportion of malt and grain used?—Oh, yes; we have always used rather more malt in the pot still than in the patent still.

10151. Is that a more expensive ingredient?—Oh, yes.

10152. What comparison do you draw between the relative advantages of the two products? I first ask you in relation to your trade, and then in relation to the consumer?—The patent still undoubtedly produces a clearer and a thinner article, and it was cheaper, and it enabled them all to make more profit.

10153. We are dealing with the trader now?—Yes.

10154. At the same time, of course, I suppose your market must depend on your demand?—That is so.

10155. Did you find that to meet the demand you had to take pot and patent still and then blend, or did you sell a pure self whiskey?—Of course, all this happened long before my time, and I am only giving my reasoning. Whiskey was an unknown thing in England. I have heard my father say that when he came over to England somewhere in the fifties many English people did not know whether whiskey was a thing to be eaten or drunk. They did not know what it was. I admit it is not evidence, but they did not know. Railways had just come in then. The drink in England and in London, and all round here was gin. Gin was a thin alcoholic drink. The Irish whiskey as then made was a nearer approach to gin than the Scotch thick whiskey, and it went ahead rapidly. Fortunes were made by the sale of Irish whiskey in the early days.

10156. You are getting a little away from what I was upon. I wanted to know not what was about the past but what exists now. I understand you to say that the patent still whiskey can be produced at cheaper cost than the pot still whiskey?—Oh, yes.

10157. Do you sell the patent still whiskey pure as a self whiskey as well as blended?—If anybody wants it; but I would like to explain we are blenders, or owners of proprietary articles and certain blends which we sell. We do not tell them the age or proportion, or anything at all about this blend. We sell it all on sample, but if anybody wants pot still whiskey, or wants patent still whiskey, we sell it to them, if specifically asked for as such.

10158. Will you give me very broadly the proportion of your trade? Is your blended trade far greater than anything else?—Oh, yes. The other trade just enables us to say what I have said.

10159. That is that the bulk of your trade is now carried on by blends between pot still whiskey and patent still whiskey?—Yes.

10160. I presume from what you have told me that you know of nothing that is deleterious or injurious to the health of anyone in the patent still whiskey?—No. I have heard many people say so, but personally I have not known. I have tried the usual experiments that others have tried, but I cannot say that it is injurious.

10161. What do you say in your Irish whiskey is the effect upon flavour and upon bouquet of the patent still whiskey? The patent still whiskey, is it poor stuff, or what is it?—I have already said that I cannot follow some of the other witnesses who would discriminate between Scotch patent still and Irish patent still. I can produce you pot still that no one living could tell whether it was Scotch or Irish.

10162. I am not talking of Scotch or Irish, but the difference between these two whiskies. Take your Irish whiskey, pot still and patent still. How would you describe the patent still whiskey if taken as a self whiskey without blend as regards flavour?—It is much purer and thinner, and has comparatively little flavour.

10163. Would it be right to call it mawkish?—No, my lord.

10164. You do not quite agree with that?—No, I do not.

10165. According to you then the proper way to deal with patent still whiskey, if you wish to have it at its best, is to blend it?—Personally, I believe so.

10166. That is so, is it not—I understand so from your evidence?—If anyone likes it unblended they are welcome to have it.

10167. You told me you have very little market for the unblended whiskey?—We would sell as much of it as we possibly could, but our own particular firm is on very much the same lines as others. The sale of all pure patent still is hurting our blend just as much as it is the pot still.

10168. But you do not sell very much of the pure patent still whiskey?—No; but others do.

10169. That must mean there is no demand for it?—There is a very large demand, but we do not cater for it.

10170. You cater for it for the purpose of being blended, but not for being drunk?—For neither.

10171. The patent still whiskey, as you have told me, is best used as blended, and you have also said that you do not sell much of it as compared with your blended whiskey?—Our own particular firm do not.

10172. I am speaking of your own firm. How do you account for the fact that you sell less, comparatively, of the pure whiskey?—Because we lay ourselves out to sell the blend. We advertise it.

10173. But if persons came and said to you: "We prefer the patent still whiskey pure," you would give it to them?—In late years, yes; but a few years ago we would not.

10174. They do not come and say so?—We have to meet the demand now—competition.

10175. That is what I put to you some little time ago. You have to meet the demand?—Yes.

10176. And the demand goes more for the blend than for the pure?—Yes.

10177. Can you see any objection whatever to this blended whiskey being sold under the name of whiskey?—Not the slightest.

10178. To your knowledge has it been so sold?—It has been so sold, as far as I can find by our own firm, ever since it was brought into the place.

10179. When first did you commence blending?—I connot answer that—blending in the sense of mixing pot and patent still—because we really cannot find out the earliest date at which we got the patent still into the place.

10180. You can tell me the minimum number of years you know of. Has it been going on for thirty or forty years?—Far longer than that.

10181. And it has been sold as whiskey?—Yes.

10182. Of course you, I presume, think it right that if this whiskey comes from you in Ireland it should be called Irish whiskey?—As a trader, yes; but as an individual I do not see how you are going to prove it.

10183. I am not asking you about that; but if you had to designate it, as a mere matter of conversation, would not the conversation be that if it was whiskey made in Belfast it should be called Irish whiskey? Never mind about the legal difficulties?—What about the Scotch whiskey made in Ireland?

10184. I am asking you about Irish?—As Irishmen, they should drink Irish whiskey.

10185. Surely it is right that Irish whiskey should be called Irish whiskey?—My difficulty is, what is whiskey? and then, after that, comes in how are you to discriminate between the two?

10186. Some whiskey is made in Ireland is it not?—Yes.

10187. Is not that Irish whiskey?—But what about the Scotch whiskey that I make? I cannot place myself in that position.

10188. When you refer to Scotch whiskey I presume you mean what we call Scotch whiskey?—Yes.

10189. Are you speaking now of the Scotch whiskey that you make?—Yes.

10190. Why do you call that Scotch whiskey?—Because the man in the street, if he were to take it up, would say: "It tastes smoky; it is made out of all malt, and malt dried with peat."

10191. Is it of Scotch material?—Oh, no—Black Sea barley.

10192. What is there about it that is Scotch?—Merely the fact that it is made in the same way as the men who claim the use of the name "Scotch" for their whiskey make it.

10193. Is that the process?—Yes.

10194. Is it patent still or pot still?—Pot still.

10195. Surely if you have been using the pot still whiskey why should you call it Scotch because the Scotch is also pot still whiskey? Why cannot you call it Irish?—That is my argument. The difficulty is to discriminate.

10196. (*Dr. Horace T. Brown.*) You mean to say it has the characteristic flavour of Scotch whiskey?—Yes.

10197. (*Chairman.*) Because it is made in the pot still?—It is made in the traditional Highland way.

10198. Is that a pot still?—Yes.

10199. Is it your view that if you make any Highland whiskey in a pot still you ought to call it "Scotch"?—So far as the general public are concerned at present they do not care a fig where it is made.

10200. That is not my point. I do not care whether they care a fig or not; but if you make in Ireland—say in Belfast—whiskey in a pot still, what do you call it?—Up to the present the whiskey we have sent into consumption has all been called "Irish whiskey."

10201. Whether made in a pot still or not?—Whether made in a pot still or not.

10202. What is the distinction you are drawing about Scotch whiskey made in Ireland, because if it is made in a pot still you still call it Irish?—I maintain there is no difference between whiskey produced in a pot still in Ireland and whiskey produced in a pot still in Scotland; the two over-lap so that no man living could tell they were different.

10203. I do not know what you mean by whiskey over-lapping, but if you make whiskey in Belfast in a pot still, what do you call it—Irish or Scotch?—Up to the present it has been called Irish.

10204. Would you have that continued to be called Irish?—Yes, my lord; I should be very glad.

(Adjourned for a short time.)

10205. (*Chairman.*) As regards your patent still whiskey, did that take the name of grain whiskey?—Yes, my Lord, so far as I can trace it, it automatically came into our books and has gone on ever since.

10206. There seems to be a purchase in October, 1864, of 1,500 puncheons of finest spirit made from grain and malt. That would be whiskey, of course?—Yes, but that is patent still.

10207. You have it in your *précis* "and made from grain and malt." That is patent still? This was Irish whiskey you were buying?—Yes, all made in Glasgow.

10208. For what purpose did you buy that?—In those days we bought patent still. It was brought over and blended with pot still and sold as Irish whiskey.

10209. You had your own pot still for that?—No, not in 1864.

10210. I thought you had?—No.

10211. Can you give me the date when you built your distillery?—1869, I think, was the date we built the distillery.

10212. In July, 1865, at Glasgow, you bought 400 puncheons of pure grain whiskey made only from grain. The word "only" is underlined?—I have brought here an old book that I got by accident to prove that at that date whiskey was made from something else than grain.

10213. I cannot see why you say that?—Why did we say pure grain? In 1865 we ordered 400 puncheons of grain whiskey made only from grain and the "only," although it is in 1865, is underlined.

10214. Yes. What meaning do you attach to that?—That they probably made it from sugar or molasses at that date as well as from grain.

10215. How does malt come into this definition, "made only from grain"?—They might have converted the starch with acid. Of course, this is long before my time, but I take it that in those days, and I bring this book to show it, there was whiskey other than that made from grain, but our own people seem to have known the difference and wanted that made from grain only.

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10216. That "only" must have been the opinion of your firm?—It is an old book, as you will see.

10217. I see your point that it is only from grain. Then in August, 1865, there were 1,000 puncheons of pure grain whiskey?—Yes.

10218. What is the difference to your mind between grain whiskey and pure grain whiskey?—I believe from the way they emphasised it here that they knew there was whiskey made from cereals and whiskey made from molasses, and that they wanted that which was made from cereals even in those days. That is the construction I put on these old notes.

10219. You were not manufacturing at that time?—No.

10220. What proof have you as to the use of molasses?—Personally I cannot prove it except from the books. I can give you no evidence of my own, but in these old spirit manuals and books there is not any doubt about it.

10221. Of course, we know molasses was used in England?—And in Scotland and Ireland in earlier days.

10222. That has passed away with you now, has it not?—Entirely.

10223. Now we come to the period when you built your distillery in 1869. I believe you had two patent and three pot stills?—Yes.

10224. The books call it patent and old still?—Yes, that is the way we keep it in the book.

10225. When was it that you began to have your trade with England, that is to say, any substantial volume of trade?—It must have been between 1850 and 1860, and it spread very very rapidly.

10226. What was the cause of the spread?—I believe the railways.

10227. That is carriage?—Yes.

10228. Did the quality of the whiskey about that time become what I may call milder? Did that have any effect?—I can only reason, and I do not know whether my reason is right. When they came over here with an alcoholic liquid they were competing against the alcoholic liquid that people had for consumption, which was gin, and to wean the people from gin they would not take a thing that was quite distinct from it. Irish whiskey is thinner and, roughly speaking, more resembles gin than Scotch pot whiskey.

10229. Are you speaking of Irish patent whiskey or of Irish pot whiskey?—Irish pot, because it was all pot in those days.

10230. It was until the patent came into operation. It was Irish as compared with Scotch?—Yes. That is only my own personal way of reasoning, and I do not know whether it is correct.

10231. When you began in 1869, as you tell us, you had got these patent stills at work?—Yes.

10232. Did you go on producing your patent still whiskey and sending it over to England as the trade spread?—Yes.

10233. Has the trade altered since 1869, which is 40 years now, in the direction either of pot or patent?—No, except that I believe there is more patent sold alone. They all like a thinner whiskey.

10234. Is that a patent sold alone by you, the distiller, to the merchant for the purpose of blending or to be drunk as a self whiskey?—By other distillers it is sold to blenders to re-blend. Any patent we sell, of course, is sold to the public.

10235. Do you not sell to the blenders?—No, they will not buy it; we are the same as themselves.

10236. It seems to me that the advertisement has a name to it—Dunville. It is sold for consumption as that?—Yes.

10237. It is a whiskey that you do blend?—Yes, it is a blend of pot and patent.

10238. You approve for the purpose of trade and for consumption of the blending of pot and patent?—Yes.

10239. One witness mentioned, I think, that the trade in patent still had been built up by degrees, and without much knowledge being given to the consumer. Do you agree to that?—Generally speaking, they know absolutely nothing whatever about either pot or patent any more than they do of half the foods that are made. One of the reasons why we built a distillery was because you see in the trade "So-and-So's distilleries," speaking of men who do possess distilleries, and when in 1860 or thereabouts we had this trade it was thrown up against us that we were not distillers. That was one of the main reasons of our building a distillery, and we have always made a point of showing our customers over it.

10240. We know the date of the patent still—1831. Of course, Coffey's patent still came into existence by degrees during the succeeding years. I suppose it is an expensive process to build a distillery and put in the necessary plant?—Yes. Since this inquiry has started I have been astonished at the courage of those men who built these expensive stills within so few years of their being patented and introduced. In Cork, Dublin, and Derry, roughly speaking, in 1835 they put them up, and there can have been no doubt in their minds that they were going to make whiskey.

10241. Has there ever been any secrecy about the fact of whiskey being produced from a patent still?—Not that I know of. As far as my firm is concerned we made a point of it.

10242. Of course, people in the trade must know everything as to the distinction between pot and patent?—No, unfortunately, a great many of them are still ignorant. When I say that, it is only some.

10243. I thought there was a considerable difference in price and cost of production?—So there is.

10244. If a buying trader does not know the difference, how do you think he is treated? Which whiskey does he get?—Very few distilleries—perhaps I am wrong to say a very few, but distilleries as a rule do not sell direct to the public.

10245. The trade know it?—Which end of the trade do you mean? Is it the publican or the middleman?

10246. Take the middleman first?—The middleman knows all about it.

10247. He does know all about it?—Yes.

10248. I suppose he knows that the cost of production of patent whiskey is less than the cost of production of pot?—Yes.

10249. He asks for that which he wants for blending purposes?—Yes.

10250. Then after the middleman, who is the next person you come to? Is it the merchant or the publican?—It is the publican.

10251. Does he know about it?—He knows a great deal now, because he has got educated up to it.

10252. Did he learn his knowledge at Islington?—No, but we are all getting more educated. They are a much better class of men than the publicans of 30 years ago.

10253. For trade purposes does he know the difference between pot and patent, and does he ask for the one or the other as he wants it? Perhaps you do not know that?—It is a difficult question to answer. Our travellers are all over the kingdom; they have certain standard blends, and if they go to a man who has been in the habit of getting a particular sort, he is simply told, "Send me the same as last." There is no discussion as to what it is made of, or anything of that sort at all.

10254. Your travellers go in and they know that they have to sell Dunville whiskey?—Yes.

10255. What I want to know is, does a publican know the difference between pot and patent?—Yes, a great many, but there a few who do not.

10256. Now take the bulk, the persons who know. Do they ask for one or the other or do they leave it to the traveller to send which he likes?—Again, that is a very difficult question to answer. If a man goes in to sell them pure grain whiskey, he will tell them so, and he is a man who is known to sell that. If a man with whom we have never done business before orders whiskey from us, we send him a list of prices, and ask him which he requires, but we tell him nothing about what it is made of, or in what proportion it is blended.

10257. Supposing you are selling pot whiskey pure and patent whiskey pure, do you charge the same price or different prices?—Different prices.

10258. Does that difference appear upon your price list?—With us pure pot, excepting one of the most expensive bottled articles, would not appear, nor would plain patent spirit in our firm's list.

10259. I am speaking of your firm. If you are dealing in that way with a publican, do you sell those at different prices because they are pot and because they are patent, or does it depend upon age, or any other characteristic?—They all know that the one is cheaper than the other, and then the rest would be added.

10260. Does the publican know that?—Yes.

10261. If one is cheaper than the other, would not he order according to what his interest was with one consideration, that is cheapness, if the other things are equal to him?—I do not think that the question of cheapness altogether comes from the side of the publican. I think it is competition amongst ourselves. A traveller from one house will go to a man and say that he is selling his whiskey at 4s. Within an hour or two another traveller comes in and he finds out that the publican is paying 4s., and he says, "I will give you the same thing for 3s." Then another traveller comes in and says, "I will give you that for 2s. 9d., and the man says, "If the thing is just as good I will try it." I think that is the way the price has come down.

10262. Do you think that the publican does, as a rule, purchase the whiskey with the cheapest quotation?—In a great many cases he has tried it. I will put it in another way. I think that a great many years ago the average whiskey kept by public-houses was better than it is at present. Now the publican keeps the cheaper class, the general public have got to know that, and they ask for what they call "specials," which the publican keeps in bottles. That is the better-class whiskey, such as Dunville's V.R. or Buchanan's Black and White, and if the customer wants it, he gets it by paying a higher price for it. Formerly the publican had one average class only.

10263. Do you find in that case your customers will order from the traveller two qualities?—Yes.

10264. When the customer calls for a "special"—we will not go into the degree of the whiskey—is that at a price higher than the other whiskey?—Yes, it is. It is a word we have nothing to do with. I do not know how it has come into the Trade, but it is understood that a public-house keeps its special whiskey. It is a better class than the other whiskey.

10265. It is not your word I know, but will you tell me generally whether that which he sells as "special" would have more malt in it than the cheaper whiskey?—Not necessarily, but from a variety of causes it is a better whiskey.

10266. What are the causes?—I cannot describe them. We have each got our own blend which we believe in. It is there in open competition, and if they ask for it they can have it. They can have any whiskey that is on the shelf in the shop, and there is no forcing it on anybody.

10267. When a man comes to you and says that he wants a whiskey what selection do you make?—We would ask him to sell our "V.R." in bottle. The Excise will bear us out, I think, that the increase of bottling in bond has grown enormously in the last ten to fifteen years.

10268. What quality of whiskey do you sell to him?—We have a much better class of whiskey called special liqueur whiskey, but the demand for it is not great.

10269. How does that differ in quality?—It is really in age, and perhaps a little more of it would have been in sherry casks.

10270. I am sure that is not an evasion of the law, but there must be some substantial difference, or else you would not charge more for it?—It is chiefly in age, and in the fact that a larger proportion of the really better class will have been in sherry casks.

10271. It is the age and sherry casks?—Yes.

10272. Both those facts do constitute a different taste?—Yes they do, but not so great as you would think.

10273. You say that lately the publican has been taking a lower price whiskey?—Yes, there is no doubt about it that the prices are ever so much lower than they used to be, and I blame ourselves rather than the publican for that state of things. It is the competition.

10274. Have you found that with the lowering of the price there has been, to some extent, a lowering of the quality of whiskey resulting from the existence of tied public-houses?—I do not exactly know how to answer that question. The tied houses belong to a different body of men. In an ordinary public-house the publican can use his own discretion and in the other case the management. There are a number of these tied public-houses, which are perhaps a hundred miles away from the bench from which they are managed. The whiskey, perhaps, is taken by tender: it is difficult to describe the tied house question.

10275. I am taking the case of a tied house which has been reduced to possession by the brewer. He wants to make a profit out of it?—We have very few brewers who are the owners of tied houses who buy those very cheap whiskies. Since the Islington case there has been more of a demand to look at the whiskey to see what it is like. We have breweries on our books that in my opinion give splendid value.

10276. Do you not have any tendency at all towards the lower class of whiskey?—Not with us, for this reason, that those big firms that you probably have in your mind buy the whiskey and blend it themselves.

10277. The brewers?—Yes, there are a great many of them that have started wine and spirit places in conjunction with their brewery.

10278. In your trade you do not attribute any alteration of system to the new plan of having these tied houses?—No, I think not, altogether. I think it is largely that the men have pulled down the prices in competition. If a large brewer writes and asks us "Will you quote for a thousand up to ten thousand gallons," you can afford to take prices that you would not think of if you had to sell. I think in that way it has pulled the price down. They say: "So-and-So will take such and such a sum; can you not give us something cheaper?" and in that way the price has come down.

10279. Is it a lowering of prices on account of the large quantity, or a lowering of the quality, as the tied houses have come into existence?—I think the Excise would be able to tell you that better.

10280. You could tell us?—No; owing to our trade, it is rather difficult.

10281. (*Dr. Horace T. Brown.*) You told us that prior to the Islington case you were in the habit, I believe, of blending Scotch whiskies with your Belfast patent grain spirit?—We did so.

10282. You did that largely, I suppose?—No; we did it in one sense largely, but it only forms a small portion of our trade, which is entirely Irish; but we did it quite sufficient for evidence.

10283. This was sold as Scotch whiskey?—Yes.

10284. It was invoiced as such?—Yes.

10285. Did you bottle this blend under any special label?—It is sent out both in bulk and in bottle. We prepare a blend of our own, which we call "H.M.S.," and we get some of it bottled in Glasgow and some of it bottled at our own stores in Belfast.

10286. "H.M.S." is one of the blended whiskies you speak of?—Yes.

10287. You used to make your own Belfast patent spirit?—Yes.

10288. Do you do that now?—No, not for the Scotch whiskies.

10289. Is "H.M.S." a specially cheap whiskey?—No; it is as good as any of the dear blends.

10290. What is the value?—3s. 6d. a bottle. It is as good as any of the blends if you like the flavour.

10291. Then you told us something about making Scotch whiskey in Belfast. I think perhaps there was a little misunderstanding on this point. I understood you to say that you had made experiments in distilling whiskey of the Scotch type in Belfast from malt specially treated with peat?—Yes.

10292. Was that distilled twice in the ordinary Scotch way?—It was distilled in the Irish way.

10293. Three distillations?—Yes.

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10294. You obtained in that way whiskey which had all the characteristics of Scotch whiskey?—Yes, all the characteristics. I may add that that being our first attempt to do it we did not like to go the whole hog, as I may put it, for it had not a very marked characteristic, like Islay, and we did not want to ruin a lot of valuable whiskey.

10295. What is the nearest approach to it in the true Scotch whiskies?—It is like many of the Highland ones that we get.

10296. This I think you told us was not on the market?—No, not the Scotch; but a little pure malt whiskey was sent to America, but only a little, just as an experiment.

10297. That is maturing still, I suppose?—Yes; it is all lying in Belfast.

10298. Are we to understand that you argue that the terms Scotch and Irish whiskey should not be merely geographical?—My theory on that is that the difference used to be one of flavour, but now it seems to be question of the country of origin. Aqua vitæ was the common name of the drink in the three countries. If you are in Scotland a person there naturally asks for aqua or whiskey, and he is given the whiskey of that particular part of the country in which he is, whether he is in the Highlands or Lowlands. In the earlier days if you asked in Ireland for whiskey you got a mild flavoured whiskey; but when communication was opened up, and transit of goods made easier into England, then it became a totally different thing. Here was a thing landed on the English market. A distinction had to be drawn. The smoky, peat-flavoured one became known as Scotch, the finer or plainer flavoured one as Irish. I presume in those days they asked for aqua. I do not know whether gin came under the heading of aqua.

10299. I do not like to interrupt you, but that is rather outside the limit of this question. What I rather wanted from you was your present opinion as to whether you would consider it a legitimate piece of trading to sell whiskey having all the characteristics of Scotch whiskey, and made in Belfast, as a Scotch whiskey?—Yes. I cannot see where the purchaser is hurt in any way whatever.

10300. That brings me back to this other point, that your definition would not be a geographical one, but would be based on the special characteristics of the whiskey?—Yes.

10301. Whether that Irish whiskey is made in Scotland or the Scotch whiskey is made in Ireland?—Yes. Personally, I believe rather in the way that Dr. Buchanan put it yesterday with regard to brandies. I believe in course of years there will be a whiskey. Now they overlap in many cases so much that you could not tell where they were made, and I think it will be the whiskey rather than the district.

10302. We are talking now of the special designation of Scotch and Irish. Would you maintain that Scotch whiskey could be produced in England or in Wales?—I cannot see why not.

10303. And that it might be sold as Scotch whiskey?—I cannot see how the purchaser over the counter is hurt in the slightest.

10304. That is a logical conclusion of yours in regard to your statement that other materials than cereals have been used. I gather you would not advocate the use of materials other than cereals at the present time?—These things were all used before my time. I have had no personal experience, and I do not know what they are like.

10305. You have told us they have not been used for at least 40 years?—Yes.

10306. Would you like to see a return to that? Would you like to see perfect freedom in the use of materials in a distillery?—Decidedly.

10307. (*Dr. Adeney.*) I am not quite clear whether I thoroughly understood you this morning as to what exactly you were referring to when you were endeavouring to give us your opinion of what whiskey is?—I believe up to the present, so far as any legal restriction, or anything of that sort is concerned, that the best definition I can think of is that it is an alcoholic drink made palatable by direct distillation.

10308. What do you mean by direct distillation?—As apart from the rectification, as in gin, and compounds of that class.

10309. No attempt at rectification?—Yes.

10310. I see that your mind with regard to this definition is running very much upon past history and past practice. I gather that from you?—Yes.

10311. In that past time was it not a question of getting a stimulant rather than a specially flavoured spirit?—Entirely.

10312. So that we had designations of various kinds in the languages of the countries in which they were produced, but they all meant aqua vitæ. They had eau de vie meaning aqua vitæ and whiskey meaning aqua vitæ, referring to the stimulating qualities of the alcohol?—Yes, to the alcohol—in all countries.

10313. Of course, at that time it was not a serious question as to what the materials were, provided the distillation was carried on so as to produce a palatable article?—That is so.

10314. What was really required was palatable alcohol, if I may so call it?—Yes.

10315. That is what is in your mind?—That is so.

10316. Are not the present various classes of whiskey that are placed upon the market a matter of progress from past times? I notice you made a remark that you thought that the way of progress should be left entirely open?—That is so.

10317. But now we must not forget to protect progress so far as it has gone in the interests of the trader and in the interests of the consumer. It seems to me that many of the classes of whiskey that are on the market at the present time are distinct improvements upon the spirit of olden times, and they are prized not so much because they are stimulating, but that they give a well-flavoured beverage. Am I correct in that idea?—Yes, so far as you recognise that there is a limit.

10318. What is the limit?—The limit is that according to that argument you would get down to one distinct definite thing.

10319. Yes?—Well, that will not please all people.

10320. Will not the public demand control the direction in which that will follow?—No. You will never get the absolute one whiskey that will please all people.

10321. No, I quite agree to that. I am trying to come up to the question as to how far the trade has progressed in producing spirits which are better in quality and flavour than in past times?—I would say that they are now better, no doubt, but it has entirely been by competition.

10322. Is that wholly so? Is there not a considerable trade in well flavoured, characteristically flavoured whiskies which command prices which customers are quite willing to give provided they can get that particular flavoured article?—Yes.

10323. So that that is a progress, is it not?—No, I think not, in this way, that especially in wines and in whiskey there is nothing upon which a man depends so much as on the man that sells. He trusts almost everything to price, and if a bottle of wine is sold at 12s. he will not open one at 7s. 6d., and try for himself. In many cases, if he took them blindfold, he would perhaps prefer the 7s. 6d. one.

10324. You are speaking now of the ignorant customer who has plenty of money to pay and has not sufficient knowledge to distinguish?—It is wonderful how far that has spread. He wants a whiskey and he looks them down, and because it is a high price he takes it.

10325. As I gather from the information that some of the witnesses have placed before the Commission, there is another way of looking at the thing. For instance, we have been told by the Scotch blenders and distillers that the taste for the highest classes of malt whiskey, certainly in England, and even in Scotland, has changed. Now the desire is not for these highly flavoured thick whiskies, as I think they have been termed, but for lighter whiskies?—That is so.

10326. Therefore the public is the lever, is it not, in the matter of tasting?—Would you not rather put it in this way, that a man starts a manufactory—a distillery, and he wants to find out what the people want, and then make it.

10327. But still it is a question of flavour, so far as the present experience of the trade is concerned?—Yes, flavour only.

10328. And the flavour of Scotch whiskey, as we know it in London, for instance, genuine Scotch whiskey, whether it is a malt or a blend, has a characteristic flavour as compared with Irish?—Broadly speaking, yes; but definitely, no.

10329. What I mean to say is this, that there is a trade value—a money value in the terms Scotch whiskey and Irish whiskey—in the flavour of Scotch whiskey as known and in the flavour of Irish whiskey as known. There are trade values in those two terms?—Do you mean to the nation or to the individual distillery?

10330. I mean to the trade. The public at the present moment regards Scotch whiskey as a certain thing of a certain flavour, which flavour has certain characteristics. That education, no doubt, has been due to the past efforts of the trade; it now exists and it is of a particular value to the trade. Am I not right in that?—Yes, but then I would like to point out this.

10331. But am I right or wrong in that?—If there is that valuable thing in a manufactured article, and we in Ireland found that Scotch whiskey was going to sweep us out of existence, and that we could turn out exactly the same thing, are we to be debarred from doing so?

10332. That was not my question?—But I agreed to yours and mine followed it up.

10333. I quite see all that, and I think you ought to put it?

10334. (*Chairman.*) Supposing a person in England gave an order for a glass of Irish whiskey, and they knew what was meant, could that order be satisfied by giving him whiskey made in Scotland?—Yes.

10335. (*Dr. Adeney.*) At the present moment?—Yes, there is plenty of pot still whiskey, I am told, made in Scotland exactly in the same way as it is made in Ireland.

10336. Can you say that from your own personal observation, or is that only an opinion?—I am told that.

10337. By others?—Yes.

10338. You have told us, I think, that formerly Irish whiskey had a considerable trade in Scotland?—Yes, we had a very large trade in Scotland.

10339. And there is a considerable trade in England?—Yes.

10340. I think you told us that the Scotch blends had driven the Irish trade out of Scotland. Is that so?—Yes, that is so.

10341. What was the cause of that?—When I say that it has driven it out, the taste in Scotland has come in more for patent still. There was one witness here from Fifeshire two or three sittings ago who related our own experience exactly: there patent still whiskey had come into competition, and it is patent still whiskey that we have to sell there.

10342. I take it the Scotch blenders were up and doing, and they blended their malt with grain to suit the public taste. They produced an article that the public came to prefer to the old supplies of Irish whiskey?—Yes.

10343. Was there any attempt on the part of the Irish trade to follow a similar course? Was Irish pot still whiskey offered for sale in Scotland against the Scotch blend, and was the Scotch blend preferred? Was any attempt made on the part of the Irish trade to meet this altered taste in Scotland?—As soon as ever the trade, especially in Fifeshire and all round that district, was found to be dropping away—this is on our own part, and I cannot tell you of others—inquiries were made to find out what was the cause. There it was almost entirely patent still that was sold, and if they ordered our whiskey from that part of the world that they would get. We met them in so far as that was concerned.

10344. I do not quite understand what you mean?—As soon as ever the taste in Scotland went to the patent still or mild whiskey or a mild blend, we then lost the trade, and we met it by taking the pot still out of our blend.

10345. Did you regain your trade in Scotland?—No, not altogether, because Scotland makes such a tremendous lot of it itself.

10346. We were told by a former witness that the Irish blend he sold was cheaper than the Scotch blend. Was that a question of quality?—It would depend entirely on circumstances. I could not answer as to that.

10346a. I was trying to see whether Irish whiskey had been driven out of Scotland purely on the question of flavour, or whether it was that the question of quality came in?—We never tried to sell pure pot. Some of the pure pot men would be able to answer whether they are doing as successful a trade in Scotland now as they were thirty years ago.

10347. To the ordinary mind it is conceivable that if Scotch pot still whiskey did not suit the taste of Scotch people, probably the Irish would not. The Scotch blenders came in with their blend and suited the taste?—But Scotch pot still is much heavier. Witnesses have told you that men might drink Irish pot still and not drink Scotch pot still.

10348. Would it be a good thing for the Irish distiller to follow the Scotch practice in order to introduce his article into Scotland? He might still trade with his own produce, but do it through blends in a similar manner to the way that the Scotch blender does?—The distiller has got all his plant and has to do his best to sell his whiskey. If he wants to adapt himself to an entirely different trade, he would have to do so, and then I hold that if he starts and makes a Scotch whiskey in Belfast——

10349. What I mean is, why should he not try and perfect his own. We are told that it has a distinct flavour?—There is an opening for both.

10350. There may be a present opening for both, but I am anxious to see whether we cannot come to some idea of a fundamental definition and some grounds for classification. It seems to me if you lose the character, the reputation, and the flavour of Scotch whiskey, and the flavour of the Irish whiskey, you are in danger of entirely losing your Scotch or your Irish trade?—Not necessarily so.

10351. There is the danger of it. I do not say that it would actually follow?—May I retort by asking what is the whiskey that I made? All malt dried with peat with all the characteristics of Scotch whiskey. What is it?

10352. That, of course, I have not sufficient expert knowledge of?—But to follow out the line of argument.

10353. But is it not true that there has been for many years past all malt whiskey made in Ireland which is very close to the characteristic taste, but still it is sold as Irish whiskey, is it not?—I think it is so sold, as I said in my *précis*. You cannot define whiskey as a separate, distinct thing; it is a generic term. It is only when you further split it up into Jameson's, Buchanan's, Dunville's or Bushmill's that then you can define it.

10354. That is what I am trying to lead up to. We must first get a clear idea as to what whiskey should mean?—Yes.

10355. We must have a fundamental definition. Would you agree to a definition restricting the material for the purpose of protecting trade and leaving the way open to legitimate improvements and progress in manufacture?—Provided the definition leaves a broad enough opening for improvements.

10356. Would you agree to the addition of malt and cereals?—Certainly; if you left it cereals alone it would be broad enough.

10357. Do you think it would be desirable to crystallise at the start, as it were, the method of saccharification?—No. Suppose someone gets a method of conversion without having to go to the expense and trouble of malting, and the result is such that no person could possibly detect any difference, I fail to see why you should stereotype it now.

10358-9. The idea in my mind—although I may be quite wrong—is this: the Scotch and Irish trades have been built up on more or less definite lines, at least, as far as the materials and method of saccharification are concerned; and with respect to legitimate progress the

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trade might regard it as developable upon recognised fundamental conditions. Now, if you alter any factor in your fundamental conditions and produce a potable spirit, would it not be fairer to the present trade to call that by another name? There is no reason why such should be kept out of the market, but why should it not find its own trade?—It seems to me that all progress would be arrested if that way of looking at it were applied. I cannot think of any manufacture, in the evolution of which, if the process had been stereotyped at any stage, the general public would have benefited. In Ulster and Lancashire great sums were expended in the aggregate on hand looms, and a magnificent article was produced, namely, hand-woven linen and cotton cloth. If this argument had been applied to stop the new process, that is, the power loom, the prosperity of these two places would have been ruined.

10360. I do not follow the analogy?—It would stop all progress if all linen or cotton had to be made on the hand loom. If you were not allowed to use power it would have stopped all progress.

10361. You would not call any cotton goods, no matter how made, silk goods?—No.

10362. You would have the fundamental starting point of the fibre?—If you are speaking of cotton or linen, but it is the method.

10363. You dominate it from the starting point?—The malting process is part of the manufacture, just the same as the loom on which you weave.

10364. I do not know whether I have made myself clear. I am seeking information whether it would not be possible to start with some fundamental definition?—Personally, I have been present at every meeting, and I have read everything that I can, and I really cannot honestly see what you could do, unless you prohibit the whole sale of patent still whiskey. I have put myself in every attitude that I could think of, and I do not see how you can make the man at the counter any more aware than he is at the present minute if you had labels. One section says that you are to put on the proportions; but if you do that you will have public-houses like the side of a railway station, all covered with notices where the retailer sells in bulk. I cannot see how it can be done.

10365. My only idea is a starting point. What would you regard as brandy?—Personally, by wading through these things I have found these old definitions of brandy a long way back.

10366. Let us have the present state, because in past times it was always a question of a stimulating liquor?—I think brandy at the present day is the produce of the grape.

10367. Could you suggest a simple origin for whiskey?—Cereals.

10368. And there you leave it?—Yes.

10369. Leaving the question of conversion open?—Yes. If you can get the diastase by the pound and produce it by some patent means I do not see why you should not.

10370. You would still require the product to be judged from the flavour?—But that the public must do.

10371. It occurred to me whether you had in your mind a doubt as to an expression of opinion by some of the Scotch blenders, namely, that the patent still spirit employed for the good class of blends must be an aged spirit, as well as a pot still. Do you agree or disagree?—In our own blends we try to have both of the same age, as far as we can possibly manage it.

10372. Do you put any specific value on age as to patent still spirit?—Not to the same extent, or anything like the same extent as pot still.

10373. The Scotch blenders did not put that forward, but they gave a certain value to patent still having a considerable age?—Patent still undoubtedly improves in the same way as pot still, but to a very much less extent. It is not so marked.

10374. But there is an improvement?—Yes.

10375. I take it that must be so, because it can command a higher price, that is the matured patent still spirit as compared with the new?—You get a higher price for it. You have to, or else you would not keep it.

10376. That, of course, speaks for itself?—Yes.

10377. What do you associate in your mind with the expressions you have used of poor quality of blend?—I am rather adapting myself to the expressions I have heard here, just a low percentage of pot.

10378. And not necessarily a raw immature pot still spirit?—No. I merely use that expression because I have heard it used so often.

10379. As a matter of fact, there is some importance to be attached to it? It commands a less price, does it not, than a good blend?—Yes.

10380. I notice you yourself refer to a specially good blend that your own firm sell?—Yes, a special liqueur whiskey which is specially good.

10381. Is that simply a matter of proportion of malt?—No, it is its age, and the fact that a little more of the blend of both pot and patent will have been reserved in sherry casks.

10382. Would it be reserved in the sherry casks as a blend or would the two constituents be kept separately in sherry casks?—In our case I may say that 99/100ths of the whiskey is blended within an hour.

10383. And then it is matured?—Yes.

10384. In sherry casks?—No.

10385. I am now talking of your best quality?—No. Do not let it go on record that it is all matured in sherry casks. There are not enough sherry casks to go round. A proportion of that blend would have been in sherry casks, but I do not mean to say that it is all matured in sherry casks.

10386. Could you give us any idea what would be the age of that?—For years we have ourselves sold entirely on sample or brand, and we give no declaration of age, quality, quantity, or anything about it.

10387. You let the customer choose for himself?—Yes, we let the customer choose for himself entirely. We have a very large duty-paid stock, the reason of that being the demand in England of the publican to get the whiskey at the strength at which he wants to retail it without having to break it down himself, as it is called. When once you get it out of bond all question of age disappears. You can give no guarantee or anything else. It is not worth anything.

10388. Do I take it aright from you that your idea of the enhanced value of your best classes of blends is a question of age entirely?—It is the only thing that does add to it, and the better class of whiskey will have to have been more of it in sherry casks, and with that exception there is no difference.

10389. I have been asked by Mr. Guillemard to put to you some questions, as he, unfortunately, is not able to be here himself. This is his first question: In your *précis* you say that your theory with regard to the difference between Irish and Scotch whiskey is that it is now a question of country of origin. Having these facts, would you be in favour of prohibiting the blending of Scotch and Irish spirit to be sold as Irish or Scotch whiskies?—I am rather in a double capacity, as I am what I may call a student studying through these notes, and as a trader.

10390. Let us have both?—As an individual you cannot possibly discriminate. No chemist I have come across can possibly do it.

10391. Would an expert taster?—It could not possibly be done.

10392. Those are your individual opinions, I think?—I would like to challenge anybody to do it.

10393. Now I want to get your ideas as a trader?—As an individual I would leave the whole thing open to fair competition. You might as well try to stereotype Irish stew or Scotch broth. You do not want a definition for those. Do you follow me?

10394. Yes, but I do not quite agree with you?—You mean that you could not make Irish stew or Scotch broth in London?

10395. Yes?—It is an attempt to bring a definition on to a thing that we might feel the worse for as a general community.

10396. You must make some starting point, and I notice here you say it is impossible to give a standard definition of bread, jam, cloth, sugar or boots?—How can you? Whiskey is a generic term, the same as they are.

10397. There is one thing certain, that you cannot call bread jam, can you?—No. There is a rather more startling legal thing. I believe in the Courts there has been a case settled in which Irish roll

tobacco has been held to mean the methods of manufacture and not the country of origin. You have a Bath bun, but I do not know that Bath is any the worse through it, and the same with Everton toffee, or any of those sort of things.

10398. It seems to me that you are not quite in sympathy with the modern idea of the protection of the consumer, as regards the purity of foods and beverages?—I am, but I hold that as long as it is pure and not injurious to the public, the way it is made, or anything of that sort, should not be interfered with.

10399. I am glad to get that from you?—If it can be proved in any way to be injurious to health, or anything of that sort, we should not be allowed to sell it.

10400. And not to the prejudice of the consumer?—Certainly, I would not attempt to defend that.

10401. Then Mr. Guillemard asks: Is there any characteristic difference between Irish and Scotch patent still grain spirit?—No. I have heard men say that they could discriminate, and I can discriminate between our own whiskey and that of any leading Scotch distilleries, but if you put three or four before me from different Irish and different Scotch distilleries, I could not possibly do it. I tried a German one last week and I could not.

10402. Do you mean to say you could not distinguish a patent still spirit prepared from a mash tub composed of malt and raw grains from a patent still spirit prepared from a mash tub of potatoes?—That I cannot tell you, because I have no knowledge of what this German patent spirit was made from. If it had been passed to any traders in the kingdom they would have taken it just merely as a patent still whiskey.

10403. Have you any knowledge of the compounding trade?—A slight knowledge—not very much.

10404. Nor of the trade done in essences and cordials?—No.

10405. I can speak myself of some of the Irish trade that they go to the trouble of getting German spirit for that. They cannot use ordinary Scotch or Irish patent still spirit, so I am informed?—That is so. That is our contention. In America a lot of our whiskey was stopped, the accusation being that it was a mixture of whiskey and ethyl-alcohol. We deny that it is ethyl-alcohol, and if Dr. Harris or Mr. Bramall were here, I am sure they could prosecute us if we attempted to sell to anybody as ethyl-alcohol the produce of a patent still, as worked by any Irish or Scotch distiller. There is not a shadow of a doubt that pure absolute alcohol has (to my astonishment) a distinct whiskey smell. I do not know whether any of you have tried it, but I tried it out of curiosity after the visit of the Commissioners, and I have some here if you would like to try it.

10406. Still grain spirit as we understand it in Scotland and Ireland is in the phraseology of the compounder not sufficiently clean for his purpose?—For his purpose.

10407. Whereas he can get a patent still spirit, not necessarily a Coffey still spirit, but a patent still spirit, quite clean enough for his purposes?—Yes.

10408. So that there is that marked difference between the two classes of spirit?—It does not follow that all that comes from abroad as clean as that. I have no special knowledge, but I feel absolutely certain that the ordinary so-called German spirit of commerce would not pass the standard of ethyl-alcohol.

10409. (*Dr. Horace T. Brown.*) Are you speaking of rectified spirit?—Advisedly I am using ethyl-alcohol, which is 99 per cent. of alcohol and 1 per cent. of water, but I do not think the average German spirit would pass that standard. I cannot tell because I have no sufficient knowledge.

10410. It is an important matter this distinction of flavour between these things?—To my astonishment ethyl-alcohol, pure alcohol, had a distinct whiskey flavour.

10411. (*Dr. Cushny.*) Would not you put it the other way that whiskey has a distinct alcoholic flavour?—No. Dr. Teed held up patent still spirit and pure alcohol to a witness at Islington and he selected the wrong one. It was a test no man should have attempted under the circumstances. I myself had never until after that visit actually tried what absolute alcohol was like as a beverage. I had always thought of it as an absolutely odourless clean thing, I tried it as an experiment, and to my astonishment it had the smell of whiskey. Since this Commission started we have run a lot of malt through the patent still which will be kept for a year or two to see what we can make out of it.

10412. (*Dr. Adeney.*) You are quite sure that the absolute alcohol you referred to was a pure alcohol?—I told the local chemist what I wanted it for.

10413. You got it from a local chemist?—Yes, he is the leading chemist in the North of Ireland, and I told him what I wanted it for. I have a bottle here from Allen and Hanbury that has been untouched since they filled it, and if you try it I fancy you would be rather astonished.

10414. I am afraid we should not be very sure of our judgment unless we knew the history of it absolutely. To my knowledge there are some foreign spirits prepared from molasses or beet.

(*Dr. Horace T. Brown.*) We had it in evidence yesterday that patent still spirit was sold largely to chemists?—Yes, but that is sold to the manufacturing chemist for tinctures and things of that sort, but on the other hand there are certain oils, Croton oil is one, and there is some other oil the name of which I cannot think of for the moment, which are only soluble in pure alcohol. Aurists are very particular in getting pure alcohol for dissolving the wax.

10415. (*Dr. Adeney.*) You will forgive me being a little pressing on this point as to what you say. I take your opinion, but we would have to be very careful to be quite sure that the alcohol that you experimented with was absolutely pure alcohol?—You may be certain I could not do any better than get it where I did.

10416. Certainly. Then Mr. Guillemard's next question you have already answered, and so I will not put it to you. Then he asks: Do you operate to any extent upon duty-paid spirits away from your bonded warehouses?—Yes. I cannot tell, but I believe we are the largest, or we must be amongst the largest in the kingdom as far as duty-paid stock is concerned.

10417. Then Mr. Guillemard asks: With your knowledge of the business done with a duty-paid stock of spirits, do you think, assuming that it were made illegal to blend certain kinds of spirits, or that restrictions were to be placed on labels, any effective check could be exercised by the Revenue Officials upon such operations as blending and bottling carried on upon duty-paid premsies?—No, as soon as ever it gets out of bond unless the chemist can really find out, speaking definitely, there is no earthly check.

10418. Then Mr. Guillemard asks this question: A good deal has been said about section 69 of the Spirit Act, 1880, which allows a distiller or a rectifier to add colouring or sweetening matter or any other ingredient to spirits in warehouse for exportation only. Do you think the distilling and rectifying trade as a whole would approve of some alteration in the law on this point?—I have heard that question put to other witnesses. Whilst it does not apply to our firm, because we do not do any of these operations, they would be very strongly opposed to take away any privilege. We get so very few from the Excise that to take away any would be doing wrong.

10419. Have you any knowledge of the mixing of foreign and British spirits in bond for exportation?—No, we never do so.

10420. (*Dr. Cushny.*) I think you have said that anything could be used to make whiskey in former days?—In former days they used anything. There are certain Acts that were passed that restricted whiskey, for some reason or other, from being made from grain. I presume it was on account of the Napoleonic wars, or fear of famine, or something of that sort, and I take it the distillers then had to supply the demand by making it from something else, and up to even a hundred years ago there were debates in the House of Commons as to whether they should not stop the use of grain.

10421. It was not called whiskey at that time, I suppose?—We cannot tell when the word "whiskey" became general. It was "aqua vitæ."

10422. In any case, the chief constitutents that you find in whiskey are alcohol and water?—Yes.

10423. You do not hold that pure alcohol and water, or, say, absolute alcohol diluted with 50 per cent. of

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water ever could have been called whiskey?—As a trader I say no; but as an individual I say that what all distillers in all countries have been trying to get is an alcohol, and the fact that it had these other things attached to it seems to be an accident of the country or materials from which it was derived.

10424. The end of it has been a variety of kinds of alcohol, each of which would have its own flavour?—Yes; but which flavours originally were accidents rather than design; the main search was for the intoxicant—alcohol.

10425. But pure alcohol and water could never have been called whiskey, any more than it could have been called brandy?—I would have to retort why, because it is astonishing if you tried it.

10426. It never has been called whiskey?—No, because of the expense of making pure alcohol by British methods.

10427. The name whiskey is attached to alcohol and water with a flavour?—That is so.

10428. Would any flavour do, or must you have a special flavour?—That is what I want to see—how you could standardise a flavour.

10429. You do not think any flavour would do?—I do not see how you could define or standardise any flavour.

10430. You might think of some flavours that would not do—say a peppermint flavour. That would hardly be associated with it?—If you made a liqueur.

10431. Would that be called a whiskey?—No.

10432. Unless you have a flavouring like that, I do not see why, supposing I ask for Irish whiskey, you should not supply me with Jamaica rum and call it Irish whiskey unless you go by flavour?—Up to the present it has entirely been by flavour.

10433. You are not disposed to lay any weight upon where the product is made?—Yes, as a trader I say, if you like, give us protection in Ireland, but as an individual I do not see how you could do it, because it seems to me to be wrong to attempt to make laws that you cannot enforce with certainty. You handicap the honest trader.

10434. Then I do not see why Irish whiskey should not be made of Irish malt and London spirit of any kind?—I do not see how the man at the counter is prejudiced.

10435. You look upon the London spirit practically as a dilutant?—No, it is patent still whiskey. It is a blend of the two whiskies, pot still and patent still.

10436. You would call the London spirit whiskey, would you not?—Yes, that is as an individual. As a trader, if you would give me the protection I would be glad to take it, but as an individual I do not see how you could bring yourselves to define it as anything else.

10437. (*Dr. Bradford.*) You have not any reason to think that patent still spirit is more injurious than pot still?—No. I have listened to all the evidence and tried everything——

10438. I do not mean as regards what you have heard, but from your own observation?—No.

10439. Have you any observations to make with reference to any possible injurious action of raw spirit —new spirit?—No. I have in my mind one glaring case when I had to take charge not of the distillation but of the blending operations. There was a complaint that the whiskey sent to a customer did not please him. We made inquiries where the person got the whiskey, because they had paid us a price that would have allowed us to give him the very best whiskey that we had in the place, and we found that this house was in a working-class neighbourhood East of London. We sent them a sample of whiskey that would have pleased anyone, and we sent them a sample of whiskey of the value of about 2s. 6d. The sample of the good one was returned to us as the customers would not have it at any price, and they have been getting the other ever since.

10440. The one that they kept was the newer spirit? —Yes, they kept the new spirit.

10441. (*Dr. Adeney.*) And they were paying the price of the higher quality?—Yes. I am now referring to a case that must have taken place over twenty years ago. The customer was pleased. I have even heard of a case, as to the truth of which I cannot vouch, where a man had only got one class of whiskey in his house, and if you asked for Scotch he got it out of a tap, and if you came in and asked for Irish you still got it out of that tap, and that man said that he had had no complaint.

10442. (*Dr. Bradford.*) That is rather a different question. I was only concerned with the health question. You do not know from your own experience of any evidence pointing to injurious effects from raw or new spirit?—No, it is the quantity, as far as I can tell.

10443. You attribute the action more to the alcohol than to the bye-products?—I do—the quantity of alcohol.

The witness withdrew.

Mr. F. L. Teed.

Mr. Frank Litherland Teed, recalled.

10444. (*Dr. Horace T. Brown.*) I believe you are desirous of making a short statement to the Commission by way of personal explanation?—Yes, I have here a letter. Shall I read it?

10445. Have you a statement?—No separate statement.

10446. The letter itself is in the form of a statement. Perhaps you had better read it if it contains everything you wish to put before us?—It contains practically everything. There was a subsequent letter.

10447. Will you read it and add to it if you think it requires anything to be added?—Yes. "To the Right Honourable Lord James of Hereford, G.C.V.O., Chairman of the Royal Commission on Whiskey, etc., 31, Great George Street, S.W. My Lord,—My attention has been called to certain evidence given by Sir Robert Usher, Bart., before the Whiskey Commission, more especially his answers to questions 7,874 to 7,880 and 7,994 to 7,997. The evidence there given throws grave doubt on my analytical skill, and asserts that I gave totally different results on the same whiskey when sent to me from different sources. On looking into the matter I find that on June 1st, 1906, I reported the results of two whiskies to Sir Tatton Sykes, one of which was marked 'Peters Hall and Co.' and the other 'Carlton Hotel.' To the best of my recollection both these samples came to me at the same time from Sir Tatton Sykes, and neither from Messrs. Peter Hall and Co. I certainly reported them both at the same time to Sir Tatton Sykes with the opinion that 'Peters Hall and Co.' had 50 per cent. of spirit present that was not whiskey (by which I meant and mean pot still whiskey), and that 'Carlton Hotel' was genuine pot still whiskey. The latter had a co-efficient of 443·1. On June 20th, 1906, I reported a whiskey to a Mrs. Cockburn with a co-efficient of 374·2, coupled with the opinion that it was genuine pot still whiskey. I mention this as my recollection does not tally with Sir Robert Usher's statement (7876): 'Some customers of ours in London, called Peters, Hall and Co., bought some very fine old whiskey from us, and they supplied it to Sir Tatton Sykes, who asked them to get it analysed by Dr. Teed. They got that analysis and sent it on to Sir Tatton Sykes.' Sir Robert Usher has evidently been misinformed, as I have never had any dealings with Messrs. Peters, Hall and Co., and the analysis was sent by me to Sir Tatton Sykes, who subsequently paid for it without any suggestion that it was inaccurate. I enclose copies of all three analyses and reports." I expect you have those three analyses. "On reference to the two analyses of whiskey alleged to be from the same cask, it will be seen that although the two samples are practically alike as to strength and non-volatile residue, they differ enormously in three of the constituents—aldehydes, furfural and higher alcohols. Had the difference been in only one constituent I should have felt inclined to believe that I had committed some unfortunate error of observation or record, but it is almost impossible to have made three enormous errors in the two results. That the strengths happen to be about the same is probably due to Messrs. Peters, Hall and Co. always sending out their spirit at one strength, and that the non-volatile resi-

due is the same is probably due to the same addition of colouring matter to each, the amount, 0·24 per cent., is so high as to indicate an addition of colouring matter. If Messrs. Peters, Hall and Co. had drawn attention to the discrepancy shortly after June 20th, 1906, I should have been in a position to repeat my analyses and to have satisfied myself and, I hope, also them, that the two samples were not identical, or, on the other hand would have acknowledged my three enormous errors. I may say that it is by no means an unknown circumstance that when an article is reported against another article is analysed (although called the same) with the view of showing error on the part of the analyst. It is, however, not necessary to assume that Messrs. Peters, Hall and Co. were guilty of any such trick. An error of the cellarman who drew the whiskey for Sir Tatton Sykes, or again an error of the cellarman who drew Mrs. Cockburn's sample, would explain the discrepancy quite as fully as the assumption of an error (namely, three errors) on the part of the analyst. I may point out that in the Islington cases some 11 summonses were issued, and the defence chose the particular two cases which were fought. Had there been greater errors in analyses or in conclusions in any of the cases which were not fought the defence would, in their own interests, have selected the cases with the greatest errors, either of analysis or conclusions. I do not suppose that the hearsay evidence of Sir Robert Usher—as I do not gather from his evidence that he claims to know that the two samples were identical of his own knowledge—will materially affect the attitude of the Commission in their estimate of my analytical skill." Then I ask to be recalled. I do not think I need read that part?

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10448. No?—This offer is still open:—"Should the Commission consider that any point depends on my skill or my methods, I am quite willing that they should test them by sending me half a dozen or more samples differently labelled, and consisting of as many duplicates or triplicates as they think fit, or I would submit to any other test that they think fair." That offer is open to the Commission at any time if they would like to see whether I can detect patent still spirit.

10449. I do not think it is necessary to do that. This shall appear on the Minutes of Evidence, if that will be satisfactory to you?—Yes, quite. There is one point that I wish to mention, that since writing that letter I came across the letter with which Mrs. Cockburn's sample was sent to me. In that letter all I wish to draw attention to is the preliminary statement. Mrs. Cockburn writes: "Dear Sir,—My husband having read several accounts in the papers with reference to 'What is Whiskey?' would feel more satisfied if he had the whiskey he is in the habit of drinking analysed," etc. I wish to draw the attention of the Commission to the element of romance, whether on the part of Mrs. Cockburn or on the part of Sir Robert Usher is immaterial, that exists in the transaction, I venture to suggest that the alleged intended identity of the two samples should be regarded with the gravest doubt.

(*Dr. Horace T. Brown.*) We are obliged to you.

The witness withdrew.

(Adjourned to Tuesday, June 2nd, at 12 o'clock.)

NINETEENTH DAY,

Tuesday, 2nd June, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*)

Sir WILLIAM SELBY CHURCH, called.

Sir W. S. Church.

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10450. (*Dr. Bradford.*) You are a past president of the College of Physicians, I believe?—Yes.

10451. You were for many years physician to St. Bartholomew's Hospital?—Yes.

10452. And at the present time you are consulting physician to that hospital?—Yes.

10453. Have you had a large experience in the practice of your profession in hospitals and otherwise?—Yes, some forty to fifty years.

10454. You desire to give us some evidence as regards the medicinal use of stimulants?—Yes.

10455. Will you kindly tell the Commission what stimulants are in habitual use in the treatment of disease?—I should say that brandy, whiskey, gin, and at the present time to a less extent rum, are in use amongst spirits in the medicinal treatment of disease.

10456. This Commission is mainly concerned with spirits, so we will confine ourselves to those. In the course of the last forty years that you say you have been engaged in practising your profession, have you noticed any great change in the kind of spirits that are ordered in the treatment of disease?—There has been a considerable change in what I may call the dietetic use of spirits, but not to my mind a very considerable change in the medicinal use of spirits.

10457. You would draw a distinct difference between the use of spirits medicinally and the use of spirits dietetically?—Yes.

10458. Could you indicate shortly to the Commission in what way there has been a change in the one and not in the other?—The fashion of drinking whiskey—because it is nothing more than a fashion—has very greatly increased during the last fifteen or twenty years as compared with what I remember when I was younger. When I was younger, besides brandy, if you took the supply of spirits generally, gin was a very frequent spirit used in the shape of "gin sling," whereas you never hear of such a thing or hardly ever in the London clubs, or in society at large. Now

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whiskey in society as a dietetic drink has taken the place almost completely of brandy.

10459. As regards the use of spirit medicinally in the treatment of disease, do you think there has been any such corresponding change?—Not to my knowledge.

10460. What spirit would you consider was most generally used?—Brandy is very much more largely used medicinally than any other spirit in this country.

10461. Do you think there has been any change in the last twenty years with reference to that—I do not mean with reference to the amount ordered, but with reference to the displacement of brandy by whiskey?—I should not think so. I have made some inquiries into the use of spirits in some of the London hospitals, and I have found that more whiskey is used than I should have imagined.

10462. If you have any statistics bearing on that point they would be of value to the Commission?—I have not had much time to compare the statistics, but several London hospitals have been kind enough to supply me with the special returns of the amount of spirits used for the last three or four years. I have the figures from Westminster Hospital in which the amount of brandy used during the last three years of 1905, 1906, and 1907 averaged 312 pints of brandy and 78 pints of whiskey annually.

10463. You have statistics, I believe, from a number of London hospitals?—Yes. Those figures I have given come from Westminster Hospital.

10463*a*. What other hospitals have you statistics from?—From Guy's Hospital, the London Hospital, and St. Bartholomew's Hospital.

10464. From four of the principal London hospitals?—Yes.

10465. They bear out that general conclusion that the quantity of brandy is in excess of the quantity of whiskey?—Yes.

10466. Will you give us the figures?—I can give you the averages because I have taken out the averages. At Guy's Hospital for three years the average amount used is 162 gallons of brandy and 11 gallons of whiskey. In the London Hospital the average is 319 gallons of brandy and 74 gallons of whiskey. At St. Bartholomew's the average is 266 gallons of brandy and 12 gallons of whiskey.

10467. Do I understand these are the quantities in one year or the quantities for three years?—It is the average of three years in all excepting Guy's, which is an average of four years.

10468. The average yearly consumption?—Yes.

10469. Does that apply also to the statistics from the Westminster Hospital?—The average for three years—312 pints of brandy, and 78 pints of whiskey per annum.

10470. It would seem from that that speaking generally the quantity of brandy was far in excess of the quantity of whiskey?—Yes.

10471. Now to pass to another matter. Can you give the Commission any information with reference to any difference in the medicinal action of different varieties of whiskey?—I am afraid I am quite ignorant of them. When I recommend whiskey, if it is to a patient in easy circumstances, I always recommend him to get the best old whiskey that his wine merchant could supply him with.

10472. You would attach some importance, and possibly considerable importance, to the age of the whiskey?—Certainly, that is what I should lay stress upon.

10473. Would you attach importance to any other thing, such as, for example, whether it was pot still or patent still?—I am afraid I never knew which any particular whiskey was.

10474. So I take it you have no reason to think that one or other of these varieties is specially injurious, or more injurious than the other?—I have never paid any attention to it. I should not like to give an opinion.

10475. Then to go back to the medicinal use, would you attribute the value of the whiskey mainly to its alcoholic strength, or to the other constituents which it might contain?—Personally, to its alcoholic strength.

10476. And usually that is the underlying idea when a physician prescribes it?—I believe so.

10477. He prescribes it as alcohol?—Yes.

10478. (*Dr. Cushny.*) You regard the differences between those forms of alcohol mainly as a difference in flavour?—Not wholly. There are what have been spoken of here, I think, as bye-products in alcohol, which I consider certainly have physiological action, but as to the amount of the physiological action I think we are very ignorant.

10479. You do attribute some importance to those products?—Yes.

10480. (*Dr. G. S. Buchanan.*) I think it was suggested to us that there might be a special advantage in the bye-products when you were treating acute febrile diseases, such as pneumonia. Would it be your opinion, in the case of pneumonia, or acute febrile diseases, that the one purpose for which you would give the alcoholic drink would be to get the effect of the alcohol?—I should say that the use of alcohol in acute febrile diseases is mainly for two objects, one is if we think the heart is failing we use it to stimulate the heart; but we also use it for another purpose; alcohol in properly regulated amounts appears to act as a substitute for food, which is very badly assimilated in those conditions.

10481. But in either case the essential thing would be the ethyl alcohol?—To my mind.

10482. It would hardly matter very much in cases of that kind what sort of spirit you were giving?—Oh, yes, I think it would, because I think we know that some sorts of spirit contain a larger amount of deleterious matter than others: for instance, fusel oil.

10483. In cases of convalescence after illness, or cases of illness in which the patient is perfectly well able to appreciate the difference in flavour, the dietetic action you have spoken of comes in in advising a particular form of alcoholic drink?—As I say in my *précis*, I am ignorant on the subject of what I will call the ethers and the esters and the aldehydes of alcohol, and I do not wish to give any evidence on that. The rule which I think almost all medical men work on is that they are told by chemists that most of these bodies which are deleterious, undergo certain changes by long keeping, and that if you use spirits that have been long in bottle you are much safer in avoiding any ill effects from them than if you use new spirits. Beyond that I have never really investigated the subject.

10484. (*Dr. Adeney.*) I take it when you speak of deleterious matters in the alcohol you are referring to new spirits. Do you refer to any definite facts in regard to them?—The bodies which are either associated with, or are partly derived from alcohol, are such an exceedingly difficult subject. After alcohol has been kept for a time various acids in wine act on the alcohol in different ways, and to my mind I find in practice that I have seen many cases in which a perfectly pure wine, so far as I knew, always disagreed with a person, whereas another perfectly pure wine agreed with him, and I partly explained that to probably the varying amount of acids or to the bye-products produced from the alcohol in the course of keeping.

10485. You are now referring to wines?—Yes.

10486. But what about spirits?—I have no experience of that with spirits.

10487. With regard to your remarks about the deleterious constituents in spirits you have no definite information to give us?—I have always understood in many whiskies there is a considerable percentage of fusel oil, which we know is a deleterious subject, present in new whiskey.

10488. (*Chairman.*) You have given us the relative proportions of whiskey and brandy used in various hospitals. The use of whiskey is substantial now in hospitals, is it not?—Yes, it is certainly substantial. I was surprised to find that it varied so greatly.

10489. But it is a substantial use now?—11 gallons as compared with 162 at Guy's.

10490. But at Westminster you have 312 pints of brandy as against 78 pints of whiskey. I should call 78 pints substantial?—Yes.

10491. That is a substantial use of the stimulant. Surely when you get 78 pints of whiskey used against 312 pints of brandy it is substantial?—Yes, that is at Westminster Hospital.

10492. Being substantial, how long is it since that substantial use has come into play?—I cannot say. I have no data for answering that.

10493. Is it an increasing quantity that is now being used of whiskey as against brandy?—I have only brought you the figures of three years, but I believe there have been very slight changes in the proportionate amounts of those spirits used in St. Bartholomew's for 20 or 30 years.

10494. But taking your own experience, when you commenced your early practice was whiskey at all used as a stimulant?—Occasionally.

10495. But not substantially?—No.

10496. I gather from that that there is a growing use of whiskey as a stimulant. Take your early days. Do not you think now it is used more than it was?—Very greatly.

10497. To what do you attribute that?—I put a good deal of that increase down to what I should call the dietetic use of it rather than the medical use.

10498. That is, you give the patient what the patient likes?—In hospital practice, I can only answer for my own hospital, and there, I think, that when whiskey is used it is used in that way—at least, I have used it myself in that way because when I thought my patient wanted alcohol, he asked to have whiskey.

10499. Is not that a matter of his taste? I thought that you meant by the answer that you thought that was dietetic. The patient liked it?—Yes.

10500. Then taking it from a medical point of view, what do you think of it as a competing stimulant with brandy?—I consider the alcohol in it is just as useful as the alcohol in brandy.

10501. As a stimulant as a whole with all its qualities, do you put them as quite equal as stimulants?—No. Brandy I consider for some purposes better than whiskey as a medicine; not so much for its stimulant properties, but because it has other properties.

10502. Take it as you say, not so much as a stimulant, but taking the case of an old person, where you speak of it as a substitute for whiskey, a supporting agent, as I will call it, is not brandy a more supporting agent than whiskey?—I do not know about more supporting, but I fancy it is more beneficial in this way, that it usually agrees better with the stomach than whiskey, and very often it enables the patient to assimilate food better than whiskey does.

10503. Both are useful stimulants in certain conditions?—Yes.

10504. Now a few questions which are perfectly non-scientific. If you were in the position of a chemist, and whiskey was put before you and you were asked with your chemical knowledge and chemical power of analysis what are the qualities you would wish to find in the whiskey so as to make it the best stimulant you could obtain, where would you draw the good qualities and where would you draw the bad qualities of the whiskey?—I am afraid I am not a sufficiently good chemist to answer that. I should not attempt to make an analysis myself. I lay stress myself on the percentage of alcohol present.

10505. You recommend your patients, as you say, to get old whiskey?—Yes.

10506. Why do you prefer the old to the new?—Because I have been informed by others that owing to certain very obscure chemical changes which go on in spirits when kept in quantity, either in bulk or in bottle, the deleterious substances are altered into ones which are less deleterious in old spirits.

10507. By time?—By time.

10508. And therefore you do wish to find out that these deleterious agents should be got rid of by that time?—Yes.

10509. I am afraid I cannot go into chemistry with you, but are there different qualities of whiskey according to your idea, some of which would be good for the patient and others which would be bad?—I am afraid that I have always put trust in the wine merchant, and told my patients to go to the best wine merchants.

10510. I am sure the trade will be very glad to hear that. However that is your view—that you could not say. But take, for instance, a poor person who could afford very little money and who would have to get a cheap whiskey. Would you recommend him to take that cheap whiskey and consume it?—Personally I have always recommended brandy, because brandy—by which I mean French brandy—is a pharmacopœia preparation, and that is one of the reasons why I think brandy is so very generally used by the profession.

10511. What I want to know from you is this: according to your judgment as a scientific man, must not there be some classes of whiskey that you would rather see out of your patient's room than in it?—I do not think that the medical world, the professional doctors, profess to have a knowledge of the different qualities of different forms of whiskey. They have to depend upon the manufacturer and the general reputation of the manufacturer.

10512. I know of no men possessing greater common sense than medical men. Supposing a patient says, "I am very poor, and I shall have to send round to a public-house to get some very cheap whiskey," would you advise him to do it or not?—No, I should advise him distinctly not to do it.

10513. You are of opinion that when whiskey is to be used as a medicine some care should be taken to see that the whiskey is good?—At the present moment I take it, under the Sale of Food and Drugs Act, that whiskey and British brandy both have to be of a definite alcoholic strength.

10514. But there are other things besides actual strength. We know there is some very cheap whiskey sold. Do you wish to express any opinion as to whether there should be a check put on the very cheap spirit being sold for the purpose of medical use?—I should say it was most highly advisable that a check should be placed upon cheap spirit being sold.

10515. Anywhere?—For every purpose.

10516. As we know, some spirit in its quality and strength is absolutely injurious to the person using it?—I do not think any pure ethyl alcohol is injurious to a man except in undue quantities.

10517. If it is pure alcohol, the whole question I was asking you about fails. If you assume the quality is all you can wish there is an end to what we are talking about?—But I imagine, in cheap spirits, many things are added to the spirits which make it potable, besides alcohol.

10518. (*Dr. Bradford.*) Have you any experience, as a hospital physician, of the reported deleterious action of new raw spirit?—You mean as we see the results upon patients?

10519. Yes?—Certainly I have.

10520. Can you state, from your experience, that you have seen deleterious results follow from the habitual practice of drinking raw or new spirits?—I have no knowledge of the age of the spirits that the people have drunk.

10521. It has been stated in many places that many serious results of various kinds have been produced by the habit of drinking raw spirit as distinguished from older spirit?—I can give you no evidence of my own upon that subject.

10522. (*Chairman.*) We have to thank you, Sir William Church, for the evidence you have kindly given to the Commission.

The witness withdrew.

Prof. R. Stockman.

2 June 1908.

Professor RALPH STOCKMAN, called.

10523. (*Dr. Cushny.*) Are you Professor of Materia Medica and Therapeutics in the University of Glasgow?—Yes.

10524. You are physician to the Western Infirmary of Glasgow, and you are also in practice there as a hospital and consulting physician?—Yes.

10525. You have also practised in Edinburgh?—Yes.

10526. In the action brought by the Islington authorities you were asked by each side to give evidence?—Yes.

10527. Did you do so?—No.

10528. On what grounds did you refuse?—The grounds were that I found, on looking into the subject, that I had not the necessary knowledge or the accurate information to give evidence in a court of law, and when I tried to acquire it from conversing with colleagues and physiologists, and people who might be supposed to know, I found they were equally ignorant with myself on the difference of action between patent still and pot still whiskey and other cognate matters which were likely to crop up in the course of the legal proceedings.

10529. You found that medical and scientific literature was very deficient in any accurate observations on the difference between the different preparations of alcohol?—Yes.

10530. Then you made some experiments with the different kinds of whiskey?—Yes.

10531. Would you tell us what those were?—The question aroused my interest and the interest of my assistants in my laboratory, and we went into the matter for our own information. Our first efforts to distinguish between patent still and pot still and pure alcohol were made on rabbits, and giving them what may be called corresponding doses to what are given to men, we found there was no difference in the action on the heart. After considering the whole matter and bearing in mind that alcohol acts so definitely upon the central nervous system, and that that system is so much more developed in man, I asked my assistants if they would submit themselves to experiments, and a certain course of experiments was planned and carried out.

10532. Would you tell us what the experiments on the rabbits were first?—They were blood pressure experiments only.

10533. Would you just describe what those are?—An animal has a certain amount of blood pressure, that is to say, the pressure in the arteries is able to support a certain weight of mercury, and that varies as the heart is stimulated or as the arteries dilate or contract. The amount of the blood pressure can be measured by means of an instrument, and we instituted the experiment and administered the alcohol in different forms, but found there was no difference in the action.

10534. Were your animals anæsthetised?—Yes.

10535. That would rather lessen the value of the experiment, would it not?—That would rather lessen the value of the experiment.

10536. You next made experiments on three young medical men?—Yes.

10537. About what age were they?—They were all under 30—about 30.

10538. What sort of alcohol did you use?—We used well-known brands of whiskey. One was a highly-flavoured Highland malt pot still, eight years old. The others were two samples of patent still whiskey, one two years old and the other eight years old, and then pure alcohol diluted with water to the same extent as the whiskies.

10539. Did you give them pure whiskey or diluted whiskey?—No, the whiskey was given diluted with water. There was one part of whiskey to three parts of water.

10540. Was this given before meals or after meals?—It was given between meals, as a rule, but on a fairly full stomach—not an empty stomach.

10541. It would be rather interesting to have this a little more definitely. About how long was it after meals?—I cannot be quite definite about these actual experiments, but with myself it was always within three hours after lunch.

10542. Then what did you observe?—We observed very little action at all.

10543. But what did you look for?—We examined into the rapidity of the pulse, the strength of the pulse and the strength of the heart's action.

10544. How did you measure that?—We measured that by means of two well-known physiological instruments called the Riva-Rocci sphygmomanometer and Gärtner's tonometer. They are well known to physiologists.

10545. Do you think those instruments are sufficiently exact to measure any alteration in the strength of the heart?—I think any decided alteration—not perhaps every slight alteration, but any decided alteration.

10546. Did you find out the limits of their accuracy, or did you make any estimate with other drugs than alcohol?—Yes, I have tried them with drugs like aconite, digitalis, nitrite of amyl, and I have also tried them pretty extensively in diseased conditions, so that I am quite well acquainted with them.

10547. You are satisfied they are fairly accurate?—I am satisfied they are fairly accurate. Not very fine, but fairly accurate.

10548. What was the result of those preliminary observations on your three assistants?—We came to the conclusion that the action was the action of alcohol, and that the subsidiary products had very little effect, or no effect that our instruments or methods of observation could detect.

10549. That was your final deduction. What was your exact experimental note—how did you come to that decision?—We found that the pulse rate remained unchanged under all these different kinds of alcohol, and found that the blood pressure remained unchanged, and the only effect produced was a certain degree of drowsiness or sleepiness.

10550. And that was equal with the four different samples?—Yes, we could find no difference.

10551. Then you tried it in some cases of disease—pneumonia?—Yes, we tried patent still against pot still in certain cases of pneumonia to see if there was any difference, but we found that we could detect no difference.

10552. Then you made some more thorough investigations on the subject?—Yes, later on I thought I would like to judge of the effects upon myself, not only of the alcohol and of the different kinds of whiskey, but also of the residues and distillates on distilling at a certain temperature.

10553. Are you an abstainer?—Oh, no, I am not an abstainer.

10554. Then what did you use for those experiments?—I used a different Highland malt pot still whiskey highly flavoured, and I used one of the patent still whiskies.

10555. Can you give us the exact description?—(1) A highly flavoured Highland malt pot still whiskey, nine years old, matured in plain wood and containing 63 per cent. of alcohol by volume. (2) A patent still whiskey, three years old, containing 63 per cent. of alcohol by volume. They were both 11 over proof. Then (3) cognac brandy, twelve years old, guaranteed to contain "the ethers" and containing 46 per cent. of alcohol by volume. Then (4) absolute alcohol diluted with water to 63 per cent. of alcohol by volume, and (5) distillates and residues from Nos. 1, 2 and 3.

10556. How much of those did you take?—I took what corresponds roughly to a glass of whiskey, namely, two ounces, and of the brandy which was weaker a larger amount was taken so as to correspond in each case to 1·2 ounces by volume of absolute alcohol.

10557. And diluted?—Yes, diluted with water to four ounces, equal parts of water and of whiskey.

10558. Then you carried out experiments on each day?—Yes, each day they were made. There was usually two or three days interval, but they were made at the same hour and under exactly the same conditions.

10559. Will you describe what you did?—My idea was to approximate the conditions to something like the condition a sick person is in—quietude. I sat in a comfortable chair and did not move or talk, and nobody spoke to me unless I began to get distinctly drowsy looking. Then after my pulse and the blood pressure and heart rate, and one or two other observations had been taken for some time so as to ascertain that they were steady, I took the alcohol at one dose and then for the next hour or thereabouts the observations were continued.

10560. Your assistants took the temperature and the pulse?—Yes, and made an estimate of the blood pressure.

10561. You give the results of those experiments in a number of tables?—Yes.

10562. Could you summarise those results?—The general result was that with that dose the pulse remained practically unaffected, and my heart remained practically unaffected. The blood pressure remained just as it was before taking the alcohol, and I could discover no evidence of stimulation of the circulation. The only effect was to make me sleepy, and there was a certain degree, not very much, of disturbance of my stomach after it each time.

10563. Was your face flushed?—At the very beginning there was flushing of the face.

10564. Did you notice any difference between those different methods of taking alcohol? Did you notice that one, for example, made you drowsier than another, or were they all equal?—No, they were all practically equal, and the effects of all of them lasted practically about the same time.

10565. Then as regards the after effects on your stomach, what did you notice?—I cannot say that I did notice any difference.

10566. As far as you could make out they all had exactly the same effect?—Yes. These, of course, were only a certain number of whiskies, and they were all carefully made whiskies of their kind, or supposed to be.

10567. They were pure of their type? They were not blended in any way?—No, they were not blended in any way; they were pure of their type.

10568. (*Chairman.*) Did they come from the same merchant or from the same source?—No, they came from different sources.

10569. (*Dr. Cushny.*) When did the drowsiness commence?—It was noticeable in about ten or fifteen minutes after taking that amount of alcohol, and then it increased considerably for half an hour or so, and then began to pass off, so that I was free from the effects on my brain in perhaps an hour and ten minutes, or an hour and a quarter, or some time like that.

10570. What conclusion did you draw from those experiments?—My conclusion was that in taking these different forms of alcohol their action is essentially the action of alcohol, and that the pulse rate, the blood pressure, and the nervous system are not appreciably affected by any of the other products present. These are in such small amounts apparently that their action is quite over-borne by the alcoholic action, and I thought that the initial flushing was an action which was common not only to alcohol but to a great many other things, like pepper and mustard. Cayenne pepper will make you flush more than alcohol. It is the reflex effect on the nerves of the mouth and stomach.

10571. You did not regard it as a symptom of absorption?—No, it was too rapid. It came on within a minute or less, before it had had time to be absorbed.

10572. You will hand in the tables that you have prepared, giving the details of the experiments?—Yes. (*See Appendix I.*)

10573. Have you any impression regarding the effect of ageing on those different spirits?—I made no exact experiments with new spirits, but I got quite new specimens of the same whiskey that I had been using, the pot still Highland malt whiskey, and I got the same patent still whiskey that I had been using, also quite new, and I distilled them. I tasted them as they were given to me, and afterwards I distilled them and examined the residues and the distillates. The newer ones are much rawer and coarser to the taste. There is no doubt about it.

10574. What do you mean by "raw"? Are they more irritating or hot?—No, I would not say they are more irritating, but they have a coarser and a more unpleasant flavour. It is only an impression I could get, but I could not detect very much difference except in the flavour and the taste. This new whiskey I thought was rather repugnant.

10575. You did not notice any difference in the sleepiness or lethargy?—No.

10576. The only difference was that attributable to taste?—Yes.

10577. We have heard every now and then about some bad whiskey. What do you mean by bad whiskey?—I do not think I ever tasted really bad whiskey.

10578. Not even in Glasgow?—I only get certain kinds.

10579. What I mean is that one hears of bad whiskey being sold at fairs and markets. Have you any idea what is meant by that?—I have an idea that it is a whiskey made of cheaper materials, and not long kept, or possibly whiskey spoilt in the making, but I have no experience of that at all. I know there is such a thing, but that is all I know about it. It is sold cheap.

10580. You think it would be mainly a matter of taste, and not of other effects?—Yes, I should think so.

10581. (*Chairman.*) You did not experiment on that?—No, I have never taken bad whiskey.

10582. (*Dr. Cushny.*) Have you noticed any change in the use of whiskey as a medicinal agent in Scotland in the last 20 years or so? Is it on the increase as a medicinal agent?—I have practised in Scotland all my active life, and it has been the chief alcoholic substance used in my experience.

10583. It has always been used in larger quantities than brandy?—In my own experience, very much larger.

10584. It is used considerably in acute diseases—collapse, and failure of the heart, and so on?—Yes.

10585. Do you suppose that where whiskey is used for this purpose the bye-products are of any value, or is it simply alcohol?—I think it is simply alcohol.

10586. Do you think the same effect would be obtained from rectified spirits as from whiskey?—Yes, I think so. It may not be obtained so pleasantly.

10587. Then it is also used as a soporific, and you found it an efficient one?—Yes.

10588. And there is no difference in the soporific power of different kinds of whiskey?—In these kinds that were tested by myself there was no difference.

10589. You found the same effect from rectified spirits also?—We only tested four whiskies, of course, and they were all guaranteed to be good of their kind.

10590. But you tested them against rectified spirits?—Yes, we tested them against pure alcohol diluted.

10591. And as regards absorption you did not notice any difference in the rate at which the symptoms arose?—No, I was affected about the same time almost accurately. I have marked it in the notes of my experiments.

10592. You regard the dilatation of the blood vessels as not an absorption sign at all?—No, not an absorption sign.

10593. So you could not estimate the amount of absorption from the dilatation of the vessels?—No.

10594. With regard to the bye-products, are they poisonous at all, or did you get any effect from them at all?—I got no effect from them. I took the residue of four ounces of whiskey, that is two glasses of whiskey, but I got no effect from the residue. Of course, the part that came over first came with the alcohol, and we got the alcohol effect with that, but it was not modified. It was the same as pure alcohol practically.

10596. How did the residue taste, was it pleasant or unpleasant?—It was not very unpleasant, but it was not pleasant. It was an acid and an unpleasant taste.

10596. Do you think that pellagra might be transmitted from whiskey made from bad maize?—I should think not, but I do not know.

10597. Now with regard to another point as to which your experience in Glasgow may help us a little. Would you say that the effect of pot still whiskey is

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a more satisfying one than the patent still whiskey? We have heard over and over again from some of the witnesses that patent still whiskey creates a thirst, and others have said that it does not satisfy a man's thirst for spirit. Do you think there is anything in that?—I cannot tell you anything as regards that. Most careful men have a certain amount which they take, and they do not surpass it, whether it is pot still or patent still. I could not answer the question you put to me.

10598. Another point that has been brought up is that the pot still whiskey can be diluted more than the patent still whiskey and still give a satisfactory flavour. Do you think there is anything in that?—It is strongly flavoured, and I think there is something in that.

10599. You think in that way the alcohol might be taken more diluted in the case of pot still than in the case of patent still?—And still give you the idea that you are drinking whiskey, do you mean?

10600. Yes?—Oh, yes, I think that is so.

10601. (*Dr. Horace T. Brown.*) Did you have any analysis made of these whiskies?—No.

10602. I suppose you cannot connote your observations with analysis in any way?—No.

10603. Have you samples still of those whiskies?—Yes.

10604. It would be rather an interesting thing to have some idea at any rate of the relative amount of bye-products in your patent still whiskey and your pot still whiskey?—Yes, it would be interesting.

10605. You say, I think, that it was a very highly flavoured whiskey?—Yes.

10606. Was it a Speyside whiskey?—Yes.

10607. You have never tried the relative effect of new raw whiskey as compared with well-matured whiskey—not in the manner in which you describe?—No, not in an accurate way. I had not time to do it.

10608. The statement that you made with regard to that was simply based on your having tasted the spirit?—Yes.

10609. There, again, I think it would be of interest to get some observations?—It takes a long time, and time is valuable.

10610. (*Dr. G. S. Buchanan.*) The experiments you have told us were made, I gather, in the afternoon?—Yes.

10611. And resulted in sleepiness being common from taking that amount of alcohol at that time?—Yes.

10612. It is not in your case, I presume, the usual time at which you would take alcohol?—No.

10613. I understood you to say that in cases of collapse and illness of that kind the one important point in practice was to get the ethyl alcohol?—Yes.

10614. Is it quite the same when you are wanting to give an alcoholic liquor or to let the patient take an alcoholic liquor in case of convalescence, or in cases where you wish to stimulate his appetite?—No, I think they are quite different.

10615. There is a value in the flavouring bye-products in cases of that kind—I do not say whiskey in particular, but in distinguishing between alcoholic drinks?—Very great, I should say.

10616. An extreme case would be champagne or port, for instance, where you want the bye-products as well as alcohol?—If you want to stimulate any person's appetite you must give him something which is fairly agreeable.

10617. It must be something more than merely agreeable in the case of alcoholic liquors which differ so much. "Agreeable" is a very general term, but in treating a given case do you not want something positive in addition to the alcohol? The ethyl alcohol itself is practically tasteless, is it not, or very nearly tasteless?—No, it has got a certain taste although not a very strong one.

10618. To the extent that a grain spirit approximates to ethyl alcohol in the absence of any pronounced characteristic it might not perhaps be so useful?—I think it is probably very largely a question of taste. People who are not accustomed to whiskey would not know any very great difference except that one had a stronger taste than the other. That is probably all the comment they would make, I think.

10619. There have been observations, have there not, which show that the distillate from damaged maize may contain toxic substances which have come over in distillation?—I am not aware of them, and I cannot answer that question.

10620. (*Dr. Adeney.*) Have you had the opportunity of observing the cumulative effect on an individual of whiskey drinking? I do not mean abuse of drinking?—Do you mean over one night or over a series of years?

10621. The cumulative effect from the custom of drinking whiskey on any individual?—Oh, yes, I see a great deal of it in Scotland.

10622. Have you arrived at any conclusion as to the effect of different spirits from the cumulative point of view?—No, I cannot say that I have. I do not think that is a question that really could be answered.

10623. I was asking in my ignorance. I have just heard doctors refer to "Gin liver," which I am told in Dublin is not known, but it is largely known in London hospitals?—It is hardly known in Scotland either. It does occur, but I have very great doubts as to whether it is actually due to alcohol. I may say I see in hospital practice a large number of people who drink what is considered a great deal, but one sees very few so-called gin drinkers' livers—only just now and again.

10624. (*Dr. Bradford.*) You are a hospital physician in Glasgow?—Yes.

10625. I suppose there must be in parts of Glasgow a good deal of raw whiskey drunk?—I should think so, but I do not know anything about that.

10626. But it is probable?—Yes.

10627. As the result of your experience as a hospital physician, have you seen any peculiar incidence of alcoholic disease?—Yes, I see a great deal of disease which is contributed to more or less by alcohol.

10628. Have you seen any special kinds—any undue proportion of any particular kind?—I see alcoholic neuritis from time to time.

10629. What I was trying to get at was whether it is at all possible to attribute indirectly any particular varieties of alcoholic diseases to impure raw spirits. Can you from your experience do that?—No.

10630. You are not able to do that?—No.

10631. With reference to Dr. Adeney's question you can confirm the general statement that alcoholic cirrhosis is rare?—Yes.

10632. You have had considerable experience in Glasgow?—I have been there eleven years.

10633. And you have seen a good deal of neuritis?—Yes, a good deal of neuritis.

10634. With reference to the bye-products in highly-flavoured malt whiskies, I presume, from a medical point of view, you attribute some importance to the flavour, do you not?—Oh, yes, I attribute some importance to the flavour, but I consider it is very much a matter of taste what flavour you prefer.

10635. I do not mean in the case of healthy patients, but in the treatment of diseases. Do not you think that the question of flavour is of some importance in the medicinal use of alcohol?—I should think very little unless you are a judge of such things.

10636. You do not think it is of much importance from a digestive point of view, for example?—I can only give the same answer as I gave before, which is that the flavour ought to be pleasant and agreeable in the opinion of patients who take it as a digestive and to improve their appetite.

10637. Alcohol is very often prescribed for that purpose?—Yes.

10638. So at any rate in that class of case the question of flavour would be of some importance?—Certainly.

10639. (*Chairman.*) You have two classes of experiences, your medical experience and your general experience of what is going on in the world around?—Yes.

10640. Would the ordinary person in Scotland recognise the difference between pot still whiskey and patent still whiskey?—Oh, yes.

10641. I am speaking of the person you would meet in the smoking room of a country house or a patient you would meet in a hospital. Would they all know the difference?—Oh, yes, they have a pretty good idea.

10642. Can you form any judgment, if a man could have his way as regards price and everything else, which is the whiskey he would prefer, and so give an order for? Does the taste vary?—The taste varies to a certain extent, but, of course, most people like a certain amount of what I may call the whiskey flavour. Some of them like more and some like less, but they all like a certain amount of it, and different people have different fancies for the different flavours.

10643. If they could choose between pure pot still whiskey and pure patent still whiskey of comparatively the same age, which would they take?—I think they would nearly all take the pot still whiskey.

10644. To them it would be a better flavour?—To them it would be a better flavour.

10645. What do you say with regard to the blend? Is the blend now a popular drink?—Yes, the blend is very much drunk.

10646. It is making way?—I think so.

10647. I suppose the blend has now been a common drink for a great many years?—Ever since I remember.

10648. The patent still did not come into active play until some time after 1831?—I can only speak definitely for the last 20 or 25 years.

10649. Surely with that experience you can say the blended whiskey has increased in consumption, has it not?—I have always known about blends, so that I really cannot answer the question.

10650. You would not know whether the consumption has increased?—No.

10651. But it is drunk to a very large extent?—To a very large extent. Most of the whiskey you get now is a blend—not entirely pot still and patent still blends, but different blends of each.

10652. So far as you have known is that satisfactory both as regards the medical point of view and the dietetic point of view?—Yes, I think it is satisfactory.

10653. (*Dr. Cushny.*) My attention has just been drawn to an extract from a newspaper in which it is said that some form of whiskey was drunk and it drove a man absolutely mad. Have you any opinion to give us as to that?—Do you mean it was due to bad whiskey?

10654. Is it bad whiskey or is it the quantity that was drunk?—If you will allow me to explain, I have nothing to say about spoiled whiskies, because I know nothing about them, but in my opinion skilfully made whiskey of any kind would not do that. It is a question of quantity, and not of quality.

10655. (*Dr. Bradford.*) You mean any form of alcohol would do that?—It is the quantity that the man takes and the consequent loss of his self-control.

10656. (*Dr. Adeney.*) Would rectified spirit do it?—If he took enough, certainly.

10657. (*Chairman.*) As far as you know is there any manufacture of what you may call really bad and undrinkable whiskey so as to sell it cheaply nowadays?—Not so far as I know. By manufacture I mean the making of whiskey in distilleries, and not merely the mixing of spirits.

10658. It does not come before you in one sense, but have you heard of any such trade going on now?—No, I do not think so.

10659. Do you think distillers behave well as regards the products?—I have heard of whiskey spoilt in the making being sometimes sold.

10660. What does that come out as? Does it come out in a decomposed condition?—I expect either the fermenting or the distillation is unsuccessful in some way; I do not quite understand in what way; but I think apart from that there is no real intentionally bad whiskey made.

(*Chairman.*) The Commissioners are much obliged to you for the evidence you have given.

The witness withdrew.

Dr. Francis Whittaker Tunnicliffe, called.

10661. (*Dr. Bradford.*) Are you Assistant Physician at King's College Hospital?—Yes.

10662. Were you formerly Professor of Pharmacology there?—I was.

10663. Were you also a member of the Departmental Committtee on Preservatives and Colouring Matter in Food?—I was a member of that Committee.

10664. You wish to give some evidence with relation to the sale of whiskey under certain sections of the Food and Drugs Act?—If I may put it in my own words, I was asked to give my professional opinion concerning the terms of reference to this Commission, and it struck me that the subject matter really might be considered from two standpoints, from the standpoint of whether whiskey as sold at present infringes the Merchandise Marks Act or certain sections of the Food and Drugs Act, or from the standpoint as to whether whiskey as at present sold may affect the public health, and, therefore, I desire at once to go into the second of these questions.

10665. I will take you to the second question as to the way in which whiskey may affect the public health. Perhaps you would give us your views of that in your own words?—It can conceivably affect the public health in two ways: either the public may not be protected as whiskey is sold at the present time from its containing constituents injurious to health, that is to say, from it containing substances which will either remotely or directly affect their health, or the medical profession in the prescription of whiskey to the public may be prejudiced by virtue of the fact that the whiskey as supplied is not what the profession expects of it as whiskey.

10666. We will take the first head first. With reference to the injurious substances present in whiskey, have you any evidence to lay before us upon that?—As far as I know I have no evidence that whiskey even as sold in low class public-houses does contain injurious constituents to health other than ethyl alcohol. As far as I know the only substance in whiskey which does both harm and good is the ethylic alcohol in it.

10667. Do you consider that even in the new whiskies, the raw whiskies we have heard about, there are no injurious substances—I mean, other than alcohol?—I come to that question a little later on, but the point is this: that the raw strong pot still whiskey which contains a relatively high proportion of these other substances than ethyl alcohol is practically undrinkable.

10668. You mean on account of taste?—I mean on account of taste.

10669. Do you think those whiskies are undrinkable to all—does no one drink them?—I believe they are drunk occasionally at distilleries by employees and they do not appear to do them much harm.

10670. We know as physicians that many very unpleasant tasting substances are sometimes drunk as intoxicants?—Yes.

10671. So that the mere flavour, however unpleasant, will not prevent it being drunk by some people?—No.

10672. But you think that even in those cases there is no evidence of any marked injurious effect?—The only evidence I know of any marked injurious effect has been reported by Swaine, of Bristol, who reported the death of a patient who drank feints from a pot still distillery.

10673. (*Dr. Adeney.*) Was that admitted, or was any proof advanced in support of it?—The man drank the contents of the feints and low wines receiver, and he died immediately afterwards. The case is reported in the British Medical Journal, and I can give you the exact reference. That is the only instance which I have.

10674. (*Dr. Bradford.*) You do not think there is any evidence as regards any special kind of alcoholic

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disease being produced by the consumption of raw spirit?—I do not know of any.

10675. And your attention has been directed to this matter?—My attention has been directed to this matter to a certain extent, and I have had analysed for alkaloids various whiskies sold in low class public-houses, and they have not contained any; there has been no reaction for alkaloids in them.

10676. You are inclined to attribute whatever injurious effect may be produced by spirits to the alcohol?—I am.

10677. And not to the bye-products?—And not to the bye-products.

10678. With reference to the prescription of whiskey by the medical profession for dietetic purposes, would you attribute any importance to taste and flavour?—I should attribute great importance to taste and flavour.

10679. You might put before the Commission your reasons for that?—I regard whiskey even from the dietetic standpoint as essentially a preparation of alcohol, and it is important from the point of view of digestion that the patient should drink with his meals something that tastes pleasant to him. That is important from the point of view of rapidity of digestion, and from the point of view of being able to get the maximum nutriment value out of any given meal, and, therefore, in that regard it is important that there should be a large variety of whiskies to suit the large varieties of tastes which undoubtedly exist.

10680. You mean to convey to the Commission that it is flavour which materially influences the digestive process?—Yes, certainly.

10681. Therefore, in that direction pot still whiskey might have advantages over patent still whiskey?—Certainly, with some individuals it might. The proportion of pot still is also important in a given blend.

10682. But you would say that even patent still whiskey had flavour?—Yes.

10683. That it had other factors than the mere amount of alcohol present?—I should say so, yes.

10684. With reference to the ageing of whiskey, do you attribute much importance to age in improving the whiskey?—I think the effect of age upon whiskey is directly proportionate to the nature of the whiskey.

10685. Do you think it a matter of some importance that whiskey should be old?—I do. Different whiskies require different ageing to make them palatable, and hence proper, drinks.

10686. Why do you lay so much stress on age if you think new whiskies are not specially deleterious? Is it from the point of view of flavour?—Essentially from the point of view of flavour.

10687. Ageing matures the flavour?—Ageing matures the flavour, and gets rid of other substances which have a disagreeable and nasty flavour.

10688. So that it is entirely from the point of view of flavour, and not from the point of view of toxic action?—I am not prepared to say that is so absolutely. It is an exceedingly difficult question. As I say, I do not know what the injurious constituents are in raw spirit, but some people certainly think there are injurious constituents in raw spirit. I am afraid I cannot give any very definite answer to that question.

10689. But you admit it is very largely a question of flavour, and that flavour is an important matter?—Yes.

10690. Do you think that patent still whiskey improves by age also?—It does to some extent, but to a less extent than pot still whiskey.

10691. But to an appreciable extent?—To an appreciable extent.

10692. Do you think it would be possible to have a standard for whiskey?—I think it would be very difficult to have a standard with regard to the finished product because it would have to be a chemical standard if it applies simply to the finished product, and that would be a matter of extreme difficulty. It would be, further, a matter of difficulty to have a standard with regard to the manufacture of whiskey, but I think it would not be such a matter of difficulty to have a standard with regard to the materials used for the purpose of making whiskey.

10693. What would you limit the materials to?—I should limit the materials particularly. The wash must be produced from cereal grains, and the saccharifying agent must be a diastatic ferment.

10694. Would you include rice?—No.

10695. Why?—Because we do not know anything about rice. It is essentially ignorance.

10696. Not from any special injurious character of rice?—I know of no special injurious characteristics. I have heard of some, but I do not know of them.

10697–8. You think that a standard might be arrived at from the materials with which whiskey is made?—I do.

10699. Do you think there ought to be certain proportions of certain constituents?—No.

10700. For example, should there be a regulated quantity of barley?—No, I do not think that is necessary. I think that the mash should be made of cereals, and that the saccharifying agent should be a diastatic ferment.

10701. You would not lay down any limit for the proportions of the different cereals employed?—No.

10702. Have you any suggestion to make as regards the labelling of whiskey?—I think the labelling is also a question of great difficulty because it would require very complicated departmental machinery to control the labelling of a thing like whiskey. I think there ought to be a minimum standard of whiskey, and as to what whiskey is, and if people choose to make whiskey better, as they think, then they ought to label it.

10703. I do not quite follow what you mean by a minimum standard?—I think no substance should be allowed to be called whiskey which is not made in the way I have suggested, and after that if the distiller chooses to make a pure malt whiskey or a special kind of whiskey he should be entitled to label it as such.

10704. (*Chairman.*) If he likes?—If he likes—and that the person who does not make whiskey in that way should not be allowed to label it as such. Nobody should be allowed to label a whiskey as a pure malt whiskey which was not a pure malt whiskey. Everybody who uses the term "whiskey" at all should make whiskey from a mash such as I have roughly described, and that should be whiskey. Then after that there should be degrees of whiskey according to the way in which it was made.

10705. (*Dr. Bradford.*) What varieties of whiskey would you recognise?—I could not say that. That would be for the manufacturers.

10706. (*Chairman.*) This is in the interest of the seller—to place his goods in the best way he can before the public?—Yes, and he is justified in doing that, provided he states what is true.

10707. (*Dr. Bradford.*) Would you advocate, for example, whiskey, Scotch whiskey, Irish whiskey, English whiskey, and blended whiskey?—I think I should practically restrict whiskey to Scotch whiskey and Irish whiskey. I did not state it, but it would essentially follow that whiskey when made from a mash of that sort in Scotland would be Scotch whiskey, and whiskey made from a mash of that sort in Ireland would be Irish whiskey.

10708. So the definition would be a geographical one?—Yes, the specific description would be a geographical one, or might be.

10709. Scotch whiskey would have to be made in Scotland?—Clearly.

10710. It would not be a whiskey made according to a particular recipe?—No. If the distiller thought it to be in his interest to put "Scotch Whiskey" on his label he must make his whiskey in Scotland.

10711. (*Chairman.*) That would be your general kind of whiskey? You would get your special brand at the will of the producer?—That is exactly what I meant to imply.

10712. (*Dr. Bradford.*) What would you do with the blend of Scotch malt and spirit made in London?—I should not call that whiskey.

10713. But the spirit might be made from cereals in London?—I should not have it labelled Scotch whiskey.

10714. You would simply have it labelled whiskey?—Yes.

10715. (*Dr. Horace T. Brown.*) In defining the materials for the mash you would limit the conversion to that produced by a diastatic ferment?—I should.

10716. Would you necessarily limit it to a diastatic ferment produced by germination?—That is a difficult question to answer.

10717. May I ask, have you in your mind in limiting it to a diastatic ferment rather than to malt any particular process of spirit manufacture at the present moment?—No, I have not, but I have in my mind the possibility that technological advance will probably be in that direction.

10718. You believe there is such an advance?—I believe there is, but I do not know what it is.

10719. It is a diastatic process, but it is one which does not necessitate the use of malt?—Yes, I know of that process, but I do not know the details of it. The technological progress would appear to be in that direction.

10720. You would not like to limit or hamper the manufacturing process?—No, but I would rule out acid conversion absolutely.

10721. (*Dr. Adeney.*) Why would you do that?—I do not know at the present moment, but if you introduce a new substance into whiskey, such as sulphuric acid, you may bring with it a different set of bye-products.

10722. But would you not introduce an entirely new substance if you introduced anything but malt?—No, because it would be a diastatic ferment.

10723. But we have had no evidence whatever of anything else but malt?—I would not recommend it unless it had been tried, but I think any regulation of that kind should be as general as possible.

10724. But you must start from some fundamental point?—I quite agree to that.

10725. (*Dr. Horace T. Brown.*) Dr. Adeney's argument, I think, is that we have had no evidence that whiskey has been prepared from a mash saccharified by acid?—Yes, that is his argument.

10726. (*Dr. Adeney.*) Yes. I wished to know why you started from a certain point?—That is the reason.

10727. (*Dr. Horace T. Brown.*) You had at one time some idea that the aldehydes of whiskey, especially new whiskey, had some deleterious effects physiologically? Do you still adhere to those views?—I adhere to the view that the aldehydes are the most suspicious constituents of whiskey, and that in some drinks they are injurious, but that in a Scotch whiskey which is ordinarily consumed they are not present in sufficient quantity to be injurious. The drink I have in my mind is a drink that is called Eau de vie de Mark, a drink which is made from the refuse of brandy, and that drink contains a large quantity of aldehydes

10728-9. Especially furfural?—Especially furfural. It is a drink which produces the most violent headaches. That, I think, is a fact which is quite well known in the Cognac district.

10730. You made some experiments, did you not, some years ago in conjunction with Sir Lauder Brunton on the physiological action of de-aldehyded whiskies?—Yes.

10731. Were whiskies used or eaux de vie?—Whiskies. We only made a few experiments on the action of de-aldehyded whiskies on animals, and what we generally found was that the animals recovered more quickly from the effect of the whiskey if the whiskey had been previously de-aldehydeized. I do not attribute much importance to those in view of the quantity of aldehydes present in whiskey in the quantity taken by a man. I think it is unquestionably established at the present moment that a good deal of the raw flavours of pot still whiskey is due to aldehydes, because if you work with some reagent which will fix the aldehydes and keep them back the whiskey coming over is of a very different character. I have experienced that myself in the distillery.

10732. You refer in the latter part of your *précis* to the artificial method of maturation. I was going to ask you on that point whether you are familiar with Dr. Hewitt's method?—Yes. I am not only familiar with it, but in the early stage of the proceedings Dr. Hewitt and I worked on the subject.

10733. Could you tell us something of the characteristics of whiskey before and after de-aldehydeizing by that process?—The essential characteristic is that, of course, pot still whiskey, especially if made in an old-fashioned pot still with a mixed mash as made in Ireland, when it comes over is exceedingly irritating, the foreshotts are exceedingly irritating, they make you run at your eyes and nose. If you put into the whiskey still, the low wines still, a sufficient quantity of some substance that will fix the aldehydes and keep them back, those foreshotts come over with quite a different effect. They do not make you run at the eyes and you do not feel them. You do not sneeze or cough.

10734. Would the distiller turn the spirit into the spirit receiver at an earlier period?—I do not think so, because in turning the spirit into the spirit receiver he goes essentially by what is called breaking, and, as a matter of fact, in the one experiment at which I was present the spirit broke slightly earlier and at a slightly higher strength, but when the substance had been put in the low wines still the difference was slight.

10735. What is the general effect on the spirit itself?—The general effect on the spirit is that it is drinkable very much earlier.

10736. Is the change which takes place in it similar to that produced by age?—I am afraid I do not know that, the taste is similar to a certain point.

10737. It is a softer flavour?—Yes.

10738. Is it exactly the same as the other flavour?—No, I do not think so. I do not think a spirit treated in that way would be so good as a very old originally highly-flavoured whiskey.

10739. But such a spirit as that contains less aldehydes than the original spirit would have done, and considerably less furfural?—You can take out absolutely all the furfural. It is a question of taste.

10740. Do you ascribe any physiological action to the furfural in such minute quantities as it exists in malt whiskey?—I do not.

10741. You do not regard as a practical question the removal of the furfural?—I do not.

10742. (*Dr. Cushny.*) Have you made any special investigations as to the cheap whiskies?—The only investigation I made was I had them tested for volatile alkaloids. I had them analysed with regard to their coefficient of impurities, and with regard to the alcoholic strength, and with regard to the presence of poisonous volatile bases, and the result was negative in those respects.

10743. Do you think it desirable that the whiskey should be defined as being formed by a diastatic ferment, and that the diastatic ferment should not be defined further? Do you think it desirable to leave it simply "Diastatic ferment," or should the diastatic ferment be defined?—That is a very difficult question. You mean would you put "malt"?

10744. Yes?—Personally I think it would be better to leave it at "Diastatic ferment."

10745. But no diastatic ferment has ever been used except malt?—I think it has. I think there is a process in the experimental stage, if not in the actual stages now—but I am talking of a subject of which I know very little about, and which Dr. Brown knows all about.

10746. That is the amylo process you are referring to?—Yes.

10747. That is not whiskey—that is alcohol?—I thought there was a process in which it was employed in the experimental stages to whiskey. I have got that idea in my head. I may be wrong, but I do not think I am.

10748. It is only in the experimental stages with regard to whiskey?—Yes.

10749. If we have to define whiskey we cannot refer to this process which is in an experimental stage. If we say anything about the definition of whiskey we must say it is made by the diastatic ferment that is always used, namely, malt, must we not?—Yes. That is a point upon which I do not wish to be at all emphatic at all.

10750. We cannot define the whiskey of the future?—No; it would be a mistake to inhibit progress, and if you made a regulation of a specific nature with

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regard to malt it is quite conceivable that you might stop people trying to work in that direction just as has happened in regard to yeast. The use of yeast has crystallised out into pure cultures in various directions. I should put the term as general as possible.

10751. I am not objecting to the amylo process with the exception that I do not see how it bears upon whiskey; whiskey has never been formed in this way, and why should we allow for a possible future use of the amylo process? What we have to determine is what is whiskey now, and not what will be whiskey one hundred years or so hence?—Yes, I quite see your argument, and to some extent I agree with it.

10752. Would you restrict the method of fermentation at all, or would you not make any restriction as to fermentation?—To the kind of yeast, do you mean?

10753. You would not insist on it being a yeast?—No.

10754. And you would not restrict it to a method of distilling?—Nor to a method of distilling. That is my opinion.

10755. (*Chairman.*) I am afraid that one answer of yours may be misunderstood. You are not for one moment, as I understand you, saying you think there is nothing injurious in spirit drinking, or in whiskey drinking?—I think the reverse, my lord. I think there is a great deal. I am much obliged to your lordship for giving me an opportunity of saying that. I think spirit drinking as it is carried on to-day is productive of very great harm indeed, and I consider further with regard to whiskey that it is a matter of some considerable grotesqueness that in the case of the strongest alcoholic drink we have on our table we have no specific glass for measuring. We have claret glasses and sherry glasses, and hock glasses, and burgundy glasses, but no whiskey glasses, and if one goes in for a whiskey and soda, either at dinner or after dinner, one is at the mercy of a butler or parlourmaid, who dumps a quantity of whiskey into a soda-water glass. From the domestic point of view it would be quite a useful reform if the makers of æsthetic glasses would make a sort of Adam's wreath to measure exactly one ounce or two ounces.

10756. I have seldom met with a more practical witness than yourself?—One would then know at once at a luncheon, especially if you had to do any business afterwards, that before one felt the physiological action of the alcohol one might have some approximate idea of what would be likely to occur.

10757. Would you carry out your theory to the liqueur glasses you get towards the close of dinner?—No, that is going too far. I would have a wreath of some kind at the bottom of the tumbler so that you could see whether you had two table-spoons, or four table-spoons of whiskey in your glass.

10758. What I understood you to say was not that whiskey drinking was other than injurious, but that you did not attribute what was injurious to the bye-products in the whiskey, but to the alcohol?—In the main.

10759. Is your idea that the ingredients put into the whiskey by the distillers are really pure ingredients, and that there is no adulteration?—That is my experience for fifteen years odd. In the course of my private experience, or, I may say, my private amusement, I have gone into many distilleries, and I may say I have not been expected, and I have not been there to do any work for the distillers. Speaking quite generally, I have never seen unwholesome materials.

10760. The distillers did not express any view on your glass theory?—I do not think they knew of it till this moment. I think this is the first time they have heard of it.

10761. (*Dr. G. S. Buchanan.*) You take an active part, I believe, in the association called the Institute of Hygiene?—No, I do not belong to it.

10762. I want to understand about the certificates that are there given in relation to whiskies?—Do you mean the Institute in Devonshire Street?

10763. Yes?—I have nothing to do with it except that I was once asked to preside at one of their meetings, but otherwise I have no connection with it, or had anything to do with it at all.

10764. You gave evidence for the patent still distillers in the Islington case?—Yes, I did—in the first case, but not in the second case.

10765. (*Chairman.*) The Commissioners are very much obliged to you for the evidence you have given.

The witness withdrew.

Mr. A. Clarke.

Mr. Andrew Clarke, called.

10766. (*Dr. Adeney.*) You are, I believe, partner and managing director of Robert A. Taylor, Limited, pure malt distillers, Coleraine Distillery, Ireland?—Yes.

10767. They are distillers only?—Yes.

10768. What kind of whiskey do you make?—Pure malt only.

10769. How is that known in the market?—It is known as Coleraine pure malt whiskey or Coleraine H.C. whiskey.

10770. What does "H.C." whiskey mean?—House of Commons. It is our trade mark. We supplied them first in 1843. It is a ten years old whiskey.

10771. Your firm has been established some long time back?—Yes, over 80 years.

10772. You use pure malt in your process?—Yes.

10773. Do you use peat?—Not any; we use anthracite coal.

10774. So that your practice is similar to the Dublin pot still distilleries?—As regards the drying.

10775. How many distillations have you?—Three. We use the three distillation system.

10776. You are again similar to the Dublin distilleries in that regard?—I do not know; I am not sure about that.

10777. Are your stills large stills?—No; being pure malt distillers our output is not as large as that of the Dublin distilleries.

10778. (*Dr. G. S. Buchanan.*) How many gallons?—The wash still is 2,500. Then they get smaller. The finishing spirit still is much smaller.

10779. (*Dr. Adeney.*) What is the capacity of that?—I should think about 1,000 gallons.

10780. And the wash still is 2,500?—Yes.

10781. Is all your whiskey sold as self whiskey?—Principally self whiskey. We sell also for blending.

10782. What is your experience as to the kind of whiskey demanded in the North of Ireland?—The demand for better class whiskey is for self whiskey, almost entirely.

10783. And not a blend?—I should think not.

10784. Is it within your knowledge that the working man would pay an extra price for a good quality of whiskey rather than have a poor quality?—Yes, he distinguishes, and he has the whiskey he wants provided he is willing to pay, and he is as a rule willing to pay a little more.

10785. And does he ask for the all malt in preference to the blend?—I think he asks for the self whiskey always provided he stipulates at all. If he does not ask for a self whiskey he probably gets the blend.

10786. I suppose your firm have been in the practice of producing whiskey from all malt for some time back?—Always. We have never used anything but pure malt.

10787. Does the flavour approach that of the Scotch whiskey?—It is the same make as the Highland malt whiskey, but there is no peat.

10788. Do you mean to suggest by that that the flavour is similar?—I should think if you get a Highland malt without peat the flavour would then be similar except that there is a slight difference in all distilleries, probably owing to the water.

10789. You suggest that the distinctive flavour of the Highland malt is due to the peat which is absent in yours?—Yes.

10790. What is your definition of "whiskey"?—In the North of Ireland I think whiskey is understood to be the product of the pot still.

10791. From what materials?—Either the mixed mash or the pure malt. I think that up to now there has not been any evidence from pure malt distillers.

10792. Not from Ireland?—No. It is just possible that the point has been overlooked that we have pure malt distilleries there as well as in the Highlands.

10793. What material would you allow in the mash tub other than malt?—I have not any experience of the mixed mash. I should not like to hazard an opinion on that.

10794. Would you object to the general term "cereals"?—I do not really know what that covers. Do you mean grain grown in Ireland or imported grain?

10795. Maize, for instance?—I should think a pot still should not use maize.

10796. Would you allow the term "Irish whiskey" to patent still whiskey produced in Ireland?—I do not think it is known as Irish whiskey. I think it is known as patent still whiskey or patent still spirit or grain.

10797. Would you limit the materials in the mash in the production of patent still spirit?—I do not see how that can be done.

10798. You do not suggest that?—No.

10799. You do not think it should be limited to malt and cereals?—I do not think so. Do you mean Indian corn?

10800. Yes?—I should think that could not be excluded.

10801. You could not exclude that?—No.

10802. Would you exclude sugar?—I cannot go into that fully.

10803. You have no knowledge of the practice?—No.

10804. I see that you do not object to blending the pot still with the patent still?—No, I think that is such an established fact that it has to be recognised.

10805. Is that established in Ireland as well as in Scotland?—There is a large blending done in Ireland.

10806. Would you limit in any way the kind of patent still spirit that is used for that blending?—I should like it to be patent still spirit made in Ireland.

10807. In the usual way?—The usual process, but if there is no difference in the patent still (Scotch patent still is the same as the Irish patent still) I do not see as regards the consumer that it matters then whether it is all Irish patent still or not.

10808. What would you call the result?—That is the difficulty. If you have sufficient Irish pot still or pure Irish malt to cover the patent still I should call it Irish.

10809. What would you regard as an allowable limit?—I think the benefit is conferred on the blend entirely by the pot still, and it should have a fair show in making up the blend.

10810. Would you put your minimum limit?—I think there should be half and half—say, 50 per cent. of patent still and 50 per cent. of pot still.

10811. Do you insist on that in your own practice with blends?—We do not blend at all, but we have insisted on that where our name and registered title of "Coleraine" is used. We have insisted in arranging for a blend that the blend should be half Coleraine whiskey, but we do not stipulate what the other half should be. That is for the blenders.

10812. You are content in stipulating that the half should be the minimum quantity of your whiskey?—Yes, for the use of our name in the blend.

10813. Do you think it would be fair to call your whiskey Scotch whiskey?—No, I do not.

10814. Although it may approach the flavour of Scotch whiskey?—It does not except as regards the fact that it is made by the same process.

10815. Supposing you dried it with peat and it had an indistinguishable flavour from the Scotch Highland malt, would you think it right to call that Scotch whiskey?—I think if you put it to me in my own case I would rather not.

10816. I see you suggest in your *précis* that the Excise should assist in some way. Can you tell us how?—I think the Excise should be authorised to give the distiller who sends out the whiskey a guarantee that he is sending out pure malt or pure pot still, or whatever the quality of the whiskey may be. Hitherto there is no guarantee to the public except the distiller's own word. I do not see why the Excise should not support the distillers in that. We have now in the case of whiskey going to the United States to give not only the age but the material from which it is made.

10817. (*Chairman.*) That is in the American Customs?—Yes. That has recently been decided upon.

10818. (*Dr. Adeney.*) Do you think it would be quite possible for the Excise instead of labelling all the spirits as plain British spirits, to make some classification in the way you have suggested?—Certainly as regards the distillers.

10819. Do you bottle your whiskey yourself?—Yes.

10820. Have you a large trade in bottled whiskey?—Yes, we bottle principally ten year old whiskey.

10821. What is the minimum age that you sell your whiskey at?—The minimum clearances from bond would be about three years—that is clearances for duty. We bottle at ten years and fifteen years. We also bottle a whiskey to compete with the blenders at four or five years.

10822. Is four years the minimum age at which you sell your whiskey for blending?—No, it is the minimum age for bottling.

10823. What would be the minimum age for blending?—That would very much depend on the blender. He may buy the whiskey new and use it at any time he likes, but I should say about three years.

10824. Do you not put any limit of age when you limit the minimum quantity to be used for blending?—Yes, in the case of our own name being used—that would be about four years.

10825. Are you in favour of the retention of all spirits in bond for a minimum period of time?—I think it would be an advantage to the public.

10826. And an advantage to the trade?—And it would be an advantage to the trade. It would level up. I would like to see three years, but I fancy that is impracticable. At all events, I should say two years.

10827. Do you regard ageing as a part of the process of manufacture?—Yes, certainly.

10828. An important part?—Yes.

10829. (*Dr. Horace T. Brown.*) I do not quite understand your position with regard to blending. You state in your *précis* that you would not allow the product of the patent still to be called whiskey?—Oh yes, it is called whiskey, but I think it is called patent still whiskey as distinguished from Irish whiskey.

10830. May I read this passage from your *précis*: "As regards the definition of whiskey, in my opinion whiskey has always been understood to be a product of the pot still; and patent has been known as patent spirit or raw grain"?—I mean Irish whiskey—if you use the word "Irish." But I think it must be admitted that patent still spirit is known as patent whiskey, but it is qualified by the words "patent still" or "patent" or "grain."

10831. Then this statement in your *précis* does not quite give your view?—No, it is not quite accurate.

10832. (*Dr. G. S. Buchanan.*) Do you know if the people in Ireland use the term "whiskey" very much merely to designate the patent still spirit by itself?—No, I think if a man wants patent still spirit by itself, a consumer, he asks for "grain."

10833. Do you think it is generally sold to him as grain?—I think if he wants a cheap drink that is what he gets.

10834. When you bottle in bond do you put any labels on your whiskey signifying that you have bottled it in bond?—No, we are not allowed to give an Excise certificate.

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10835. Would the power of being able to say on your labels that the whiskey had been bottled at the distillery be of any use to you?—Yes, it would.

10836–7. Do you think it would assist you?—We do say "Bottled in bond at the distillery." We do not put it on the bottles, but we say so in selling. I have a bottle here which will show the Commission what I mean. (*The witness produced a bottle and explained the label to the Commissioners.*)

The witness withdrew.

Adjourned to to-morrow, at 12 o'clock.)

TWENTIETH DAY,

Wednesday, 3rd June, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
J. R. BRADFORD, Esq., M.D., D.Sc., F.R.S.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Sir JAMES DEWAR, called.

Sir J. Dewar.
3 June 1908.

10838. (*Dr. Horace T. Brown.*) You are, I believe, a Fellow of the Royal Society, and late President of the Society of Chemical Industry, Past President of the Chemical Society, and Jacksonian Professor of Natural and Experimental Philosophy at the University of Cambridge?—Yes.

10839. You are also, I believe, Professor of Chemistry at the Royal Institution?—I am.

10840. You have no interest, either directly or indirectly, in any whiskey or whiskey industry or in the brewing industry?—I have no relations, either directly or indirectly, with any distillery or brewery or other agency disposing of ardent spirits.

10841. Did you give evidence in the case which is known as the Islington case?—I did. I acted then, of course, professionally; but I may tell you my position before the Commission now is that I declined to be retained. What I said to the solicitor was this: In the state of my health, and the very small amount of time I had for work of this kind, I could not appear before the Commission unless I had made a series of experiments, which I wanted to make in the other case, but which I was unable to carry out, and that if they supplied me with material, if I had anything to place before the Commission, and had the health to do it, I would carry out the work; and I hoped then that they would give a contribution towards the conduct of my researches at low temperatures. That is exactly my position.

10842. You appear, then, as an independent witness?—Absolutely unbiassed.

10843. In the Islington case I think you were retained on behalf of the defendants?—I was then.

10844. In your early days I believe you were assistant to Lord Playfair, in some of his scientific work at the University of Edinburgh?—I was assistant to Lord Playfair for many years.

10845. Will you tell us how that brought you in contact with distillery matters?—It brought me in contact with distillery matters scientifically, because at that time a great deal of work was being done on the products of the five carbon alcohols, or amyl alcohol, as you would call it now, its physiological action was being then observed, and the study of amyline and its products brought me directly into relation with the production and action of chemicals upon fusel oil.

10846. So from a very early period you have been working on this subject upon the scientific side?—Absolutely on the scientific side. I may say that from my own personal relations, which I must not keep back from the Commission, my uncle by marriage was connected with the Bernards, who were the great distillers and brewers in Edinburgh, and as a boy I was brought up and ran about the distillery and brewery belonging to them.

10847. That gave you some insight into the manufacturing processes?—Yes; before I commenced studying scientific chemistry at all.

10848. You have, I suppose, kept yourself fully abreast with the whole literature and history of distillation?—I have.

10849. You want to put in some references to some of the earlier works which were in vogue at the time when you were carrying out these investigations with Lord Playfair?—Yes; I have summarised a few, which I think would be of interest to the Commission. I have made an extract from Brande, and I have had that and some other extracts printed, as it will save referring to the books. I have first an extract from "A Manual of Chemistry, by Thomas Brande," and then an extract from Pereira; and then an extract from Gmelin's Handbook of Chemistry; and an extract from Watts' Dictionary, bearing on two points. I think these extracts tell practically their own tale. It is quite clear that in 1848 Thomas Brande, who was a great authority, says, at page 1639: "The distillers prepare a liquor called wash, for the express purpose of producing from it ardent spirit; instead of brewing this from pure malt, they chiefly employ raw grain, mixed with a small quantity only of malted grain."

10850. That was in the year 1848?—That was in the year 1848. Then he says, at page 1652: "Whiskey is also a corn spirit, and, when genuine, derives its characteristic flavour from the malt made in its manufacture having been dried over peat or turf fires; but this odour of burnt turf or peat reek is frequently given to raw corn spirit by impregnating it with peat smoke." So at that early time they seem to have been adulterating or producing an artificial whiskey, even in Scotland. Then Pereira is interesting, because it was the only book we had at that time with reference to the physiological action of alcohol. He says, at page 1939: "When the liquid is a fermented infusion of grain (wash) the spirit is denominated Corn

Spirit (Spiritus frumenti). . . . The well-known liquor Gin, Hollands, or Geneva, and Whiskey, are corn spirits flavoured. . . . Each variety of ardent spirit has an aroma peculiar to itself, which is characteristic of the substance from which it is produced. This depends on volatile oil." Then he says, at page 1940: "Corn Spirit Oil, Oil of Grain, Potato Spirit, and Fusel Oil. 500 gallons Corn Spirit give one gallon of oil." Then, at page 1955, he says: "Spiritus frumenti compositus; Compound Corn Spirit. The Spirit manufactured in the British Islands is usually obtained by distillation from fermented infusion of corn. The ardent spirits, known as Gin, Whiskey, and the various compounds are corn spirits differently flavoured. Whiskey agrees in most of its properties with Gin, from which it differs in its peculiar smoky flavour and odour; these it acquires from the malt, which is dried by turf fires. It is the national spirit of Ireland and Scotland." Then I refer to something I am going to deal with later on, with regard to the character of fusel oil and defuselation, which was a very important question in the early days. But the most important article is the article written on alcohol in this well-known work, which was well-known at that time, called "Chemistry as applied to Arts and Manufactures, by Muspratt, Volume 1," which, I think, the Commission ought to be able to refer to. It is a very long article.

10851. What is the gist of it?—I will summarise it in one minute.

10852. What is the date of it?—1866. Under the general heading "Alcohol," he begins by giving the chemical composition, and so on, and its physical properties, as we should call it now. Then, under the heading at the top "Alcohol—Whiskey," he subdivides that into "Alcoholic Liquors—Whiskey." Then he continues and gives the stages of grinding, mashing, fermenting, and distilling. He goes on then for something like 42 pages, in which every variety of still is described, and the production of their whiskey, because he says at the beginning, "The fabrication of ardent spirits is a very extensive branch of home trade. Whiskey is the staple produce in this kingdom; gin, rum, etc., are made in other countries by operations analogous to those followed in the manufacture of whiskey. Gin and rum are fictitiously made by several parties in this country; but they require an alcoholic liquor to operate upon, and for this purpose whiskey, more or less pure, is universally used. Since whiskey, then, is the principal product of the spirit manufacture of this country, preference of description will be given to it." Then he gives the whole of the methods of distillation known, and when we come to the end of distillation the heading is "Alcohol—Whiskey" again, and just at the end of this article there is a sub-heading, "The Bushmills," and he says: "Before concluding the article on malt whiskey"—he regards everything that is produced as whiskey as malt whiskey, because malt is used in the operation, and, therefore, according to him, everything is a malt whiskey—"a short account of the Bushmills may prove interesting, as this spirit is said by many to claim pre-eminence over all others, in the same manner that genuine Hollands is considered superior to any gins made in this country." Then he ends the article by a sub-article on potheen whiskey, with extracts from Morewood, and finally refers to whiskey made in the United States from Indian corn, and in Cincinnatti, where grain abounds, and he finishes the whole of this article, which is now on whiskey and its production by all the known means of distillation. Then the new article and heading is "Rectification of Spirit," which is under a separate heading altogether. So that what I say is that at this time he considered all kinds of ardent spirits produced by means of the fermentation of grain and the action of malt on malt whiskey, and that all known means of distillation kept it still whiskey, whether pot still or whether patent still. Of course, every variety of still, Stein's and others, are referred to in that article.

10853. Does he specifically refer to the patent still product, produced by the ordinary grain mashed, as a malt whiskey?—I think so, undoubtedly.

10854. That is a very unusual definition, is it not?—I do not think so, because it is all called corn spirit.

10855. But you would not give that definition of whiskey at the present day, would you?—What I am referring to is merely what was said and what was the state of knowledge in 1866 — that he classified everything as a malt whiskey that was produced by the action of malt.

10856. Whether it contained raw grain or not?—Yes, that is perfectly clear; and whether it was distilled by means of the patent still or any other variety of still.

10857. Is he not peculiar in that?—I do not think so. That is the only article that I knew of in 1866 giving a detailed account of the production of whiskey and its varieties. I did not know of any other, unless it is the reference to Morewood.

10858. Have you any further deductions to draw from those abstracts?—I do not think so. I think the Commission ought to see this article. There are various points in it, it is made perfectly clear. Then the other extracts that I have are as follows:—"Amyl Alcohol—Fusel Oil. Extract from Gmelin's Hand-Book of Chemistry. Vol. XI., page 10. Wort prepared from malt which has been roasted with peat-smoke, as it is done in Scotland, yields, when made to undergo the vinous fermentation and distilled, a spirit (whiskey) which contains fusel oil. Wort from unmalted barley yields, after fermentation, a spirit much richer in fusel oil. But if the wort, before fermentation, be boiled with hops, the spirit obtained from it is free from fusel oil. (Glassford, Ann. Pharm., 54, 140.)"

"Extract from Watts' Dictionary, 1866, Vol. I., Alcohol. Hydrated or Aqueous Alcohol—The last portion of the acid is easily removed by distillation over a small quantity of carbonate of potash or wood ashes, and the fusel oil, which adheres more obstinately and imparts a very unpleasant odour to the spirit, is best removed by adding to the spirit about 0·7 of its weight of coarsely powdered charcoal, leaving the mixture to stand for several days and stirring it repeatedly, then decanting and distilling."

"Extract from Fusel Oil, Watts' Dictionary, 1866, Vol. II., page 75. Defuselation of Alcohol—As fusel oil imparts to alcohol a very unpleasant taste and smell, it becomes a matter of great importance to the distiller to remove it from all spirits intended for drinking. The complete removal of the fusel oil is, however, a matter of considerable difficulty, and, indeed, is seldom attained on the large scale. . . . In the modern stills, constructed so that the more condensable portions of the vapour may be liquefied, by far the greater portion of the fusel oil is thus removed at once, together with the water, and a comparatively pure distillate is obtained. Still, however, a certain portion of the fusel oil always defuses into the alcohol vapour and passes over with it."

10859. You are familiar, I suppose, with both the pot still form of distillation and also with that of the patent still?—Yes.

10860. And with the products obtained from those?—Yes.

10861. What would be your definition of "Whiskey"?—My definition of "Whiskey" is one that I gave, I think, before the magistrate, and I think I cannot do better than repeat what I said to the magistrate when I was asked that question. "It is a generic name given to the varieties of ardent spirit, spirit as prepared in Ireland and Scotland from the distillation of a fermented infusion of grain technically called a wash." That sums up to the chemist what is the meaning of the word "Whiskey." It sums up scientifically the definition of "Whiskey." I adhere to that.

10862. Would you limit in any way the mode of saccharification of the grain for the production of that wash?—As carried out—that means certainly the use of malt.

10863. Do you mean barley malt necessarily?—All my experience, of course, is connected with barley malt.

10864. You would regard the saccharification of the grain by malt as being an essential portion of your definition?—Certainly; because I have said deliberately "as carried out—as prepared in Ireland and Scotland." I know of no preparation of whiskey at all in Ireland or Scotland otherwise than by the use of malt.

10865. You would deliberately exclude any process for saccharifying the grain by means of acid, for instance?—Certainly.

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10866. Do you know anything of the new amylo process for the preparation of spirit?—I have only read of it.

10867. You know, I daresay, that malt is not used as the saccharifying agent?—I know a microbic material is the agency there and you are using then, of course, a living thing to do it.

10868. You would exclude that process?—I am not prepared to say that. I would not exclude any advance of scientific knowledge if the product that results is substantially of the same class.

10869. But I understood you to say you regard the use of malt, or, at all events, germinated grain, as an essential portion of the mash?—I say so within my experience and as so far conducted in Scotland and Ireland.

10870. You are aware, I have no doubt, that although the conversion of the grain is not made by a diastase of malt, it is made by a diastase secreted by some of these micro-organisms?—Undoubtedly, and a subsequent fermentation is done by another agency.

10871. With regard to your definition of Scotch and Irish whiskey, I believe you would make those purely geographical?—Yes. I think they are as stated by Brande and Pereira the national spirits of Scotland and Ireland.

10872. Would you admit that a spirit made by a similar process in England should be regarded as whiskey?—Not as Scotch whiskey.

10873. But as whiskey?—That is a question, I think, that is one naturally for the Commission with all due respect.

10874. (*Chairman.*) We want your assistance?—It is a question of the product. You can make an artificial claret if you choose in England, or you can make an artificial whiskey in England which would resemble Scotch whiskey, but I say it will be for the Commission to determine whether that shall be called by some separate name. It would undoubtedly then be an English product.

10875. (*Dr. Horace T. Brown.*) But you have said in your *précis* that you would consider a product produced from a fermented infusion of grain, saccharified by malt in England, a whiskey?—It would be, of course, an English whiskey.

10876. You would regard it as whiskey?—Yes, it would be a whiskey if it had the characteristics of the Scotch or Irish whiskey. It might be either the one or the other.

10877. You state that you have for the last 30 years bought and used in your household patent still whiskey?—Yes.

10878. Can you tell us something more about that as to its characteristics and so forth?—The only characteristics of that material are what I fully described to the magistrate and which can be found in my evidence. It really arose on a visit which the late Sir Frederick Abel and myself had to make to Scotland in connection with some explosive matters, and at the chemist's house we found a very delicious whiskey; we both liked it very much, and when I came south to Cambridge I made inquiries after getting a present of a little jar at Christmas containing some three gallons, as to whether or not that whiskey could be procured. All I can say is that both Sir Frederick Abel as long as he lived and I continued to use it. At that time I did not know whether it was the product of the patent still or the pot still—in fact, I did not think anything at all about it. It was simply delicious whiskey, and I have continued to use it.

10879. (*Chairman.*) What was it called?—Cambus whiskey.

10880. (*Dr. Horace T. Brown.*) That is a grain whiskey?—Yes. I submitted to the magistrate references as to the quantity which had been consumed. You will find it all in my evidence. He was quite satisfied about it, and was evidently quite surprised that I paid as much for my whiskey as he paid for his.

10881. And you did not know for some time that it was the product of the patent still?—I did not, because I never thought anything at all about it. It is like anybody else judging of whiskey—you do not ask yourself as to what particular quantity of malt is in the mash or about anything else that has been used. It was the whiskey I liked. My friends liked it, and I continued to use it, and I have done so for more than 30 years.

10882. I need scarcely ask you whether you think it is in any way deleterious?—Oh, no; and in order to settle that question I suggested at the first inquiry to Dr. Tatlock to extract all the patent still whiskies he could in order to get out the material which might be there other than alcohol, and to test the physiological action upon himself and to duplicate the samples and send them to me. He sent up all the duplicate samples, and I tried the same experiment as he did by swallowing the whole product extracted from bottles of these separate patent still whiskies without any effect whatever.

10883. Will you describe those experiments in a little more detail?—The experiments were these. The late head of the Inland Revenue, in giving evidence before the Playfair Commission, proposed and showed a mode of extraction by adding chloride of calcium in excess so as to retain the water and the alcohol after dilution and extraction with ether so as to get all the less volatile products out—not the alcohol—and in that way keeping back the alcohol; the ether was then slowly evaporated at an ordinary temperature, and then the residuary product was tested physiologically. I could find no effect whatever.

10884. What amount of whiskey did those products represent?—They represented a bottle of each variety of whiskey—the Cambus, Caledonian and so on—all the patent still whiskies that Dr. Tatlock could put his hands upon.

10885. Did you make any experiments on pot still whiskey at the same time?—No. The question arose with the magistrate as to whether or not there might be any deleterious products in the patent still whiskey that were not in the pot still. In other words, it was suggested at one time that there was a possibility of volatile basic bodies existing in the patent still which did not exist in the pot still, and, as I had at very early times along with Professor McKendrick made experiments on the physiological action of the pyridine and quinoline bases of coal tar, I was naturally interested in seeing whether any such products could be extracted.

10886. Then you found your ether extracts did contain others?—Yes, they contained some very volatile products, but I am going to submit to the Commission the actual products themselves obtained on a large scale.

10887. From these whiskies?—Yes, from the manufacture of these whiskies.

10888. You state that according to your own knowledge there is a very large quantity of pure patent still whiskey, that is the self whiskey, made in Scotland and consumed throughout the country?—Yes, I know that, because, as I said, my friend Sir Frederick Abel used it in the same way as I did, and he recommended it to a great many friends, and I have reason to know since that there has been a very large consumption.

10889. That is without being blended in any way with pot still whiskey?—Without being blended in any way with pot still whiskey.

10890. You regard such a whiskey as being entitled to the term "Scotch whiskey"?—Yes, certainly.

10891. You would not limit the apparatus used in the distillation or in the preparation of the spirit in any way?—No, I would not, of course, always within the limits that it is to produce what is known as a whiskey, namely, a flavoured alcohol.

10892. We have had some evidence as to the fractionation of the spirit by the distillation in the pot still. It has been asserted by some of the witnesses that practically no fractionation takes place in the pot still. Could you give us any information on that point?—I think the Commissioners have had so much evidence on that that they hardly need a repetition, and there is so much scientific intelligence on the Commission. It seems to me perfectly impossible, having regard to the total quantity of products yielded even as secondary products called fusel oil by the use of the patent still and as compared to the total quantity of other materials than alcohol in the pot still, that there is not a fractiona-

tion, of course, in both, only that the one is much cruder than the other.

10893. You consider, then, there is a fractionation in the process of pot still distillation?—There must be. What is the object of two or more distillations in the pot still? Simply because it is less effective.

10894. Have you any idea what the relation of the higher alcohols to the alcohol in the fermented wash would be as compared with the relation of the higher alcohols to the alcohol in the low wines or in the finished whiskey?—No, I am sorry I have not been able to make any experiments of that kind. They would require to be carried out in a distillery which would require to be put absolutely under the control of the chemist.

10895. Your statements are rather scientifically drawn inferences?—Absolutely. But the fact that you have to distil in the pot still two or three times in order to produce and take a selective product, whereas you can do it then in a more refined mode of distillation in one operation and select your product, while at the same time getting your secondary product free, is a proof in itself that it is only a question of degree.

10896. You think there is no difference in principle in the two methods of distillation?—Absolutely none.

10897. They are both fractionation methods?—That is absolutely clear. The very construction and improvements in the pot still tell their own story. If you read the reference I have given you to Muspratt all the variations that have occurred from the early Leath still and the Stein still, and the improvements in the pot still before you come to Coffey are all detailed.

10898. Have you had any experience in the effects produced by altering the speed of distillation, for instance?—We know that in the laboratory. Of course, in large operations of that kind it is very difficult to get a distiller to sacrifice the enormous quantity of alcohol for a pure experiment that the chemist wishes to carry out, but in the particular case before the Commission I asked them to distil in the patent still under a little excess of pressure and to collect the product. I analysed the product and it contained then, by increasing the boiling point a little in the same still, an enormous quantity.

10899. It was taken off at the same point?—Yes, the same point.

10900. The spirit plate was not altered?—There was no alteration in the still, but simply an increase of pressure. The product was entirely different.

10901. What was the product?—You will find it all in the analyses given before the magistrate. I think it went up to something like 6,000 per 100,000 of alcohol.

10902. That was not a potable product?—No, it was merely to prove that a very small variation in the working of the patent still could produce an enormous difference in the product.

10903. But have you ever seen produced in a patent still a product which is difficult to differentiate from the pot still product?—No, I have not seen that. I have only seen the spirit that is produced and which they desire to produce in these patent stills which contains, as we know, of secondary products something like 150, taking in the esters, acids, higher alcohols, etc.

10904. Do you think it would be possible by altering the method of working the patent still to produce whiskey of the same general character as the pot still product?—I do not doubt for one moment that it could be done if anybody directs his attention to doing it.

10905. But it has never been done?—I do not think it has been their object to do it.

10906. (*Dr. Adeney.*) In the experiment you have described, this special experiment with the patent still, was the flavour agreeable?—No, the flavour was not agreeable. It contained such a large quantity of secondary products. It was merely done to show the effect of a very slight alteration in one of the variables only. I knew by anticipation that the slightest variation, five pounds, more or less, pressure, would just make all the difference.

10907. (*Dr. Horace T. Brown.*) You would like to make some remarks on what you term synthetic whiskies?—Yes, I would.

10908. Would you tell us exactly what you mean by synthetic whiskey?—What is meant by synthetic whiskey is this: As I stated before the magistrate, having analysed and submitted to him what was the maximum variation in the secondary products in all varieties of Scotch whiskey, that they never varied more than in the proportion as a maximum of one to three, and generally as one to two even in the small amount of these flavouring materials, that it seemed to me that if a chemical standard was to be maintained or was to become formulated, then apart altogether from a variation in the mode of distillation the patent still distiller could put back again and refuselate the alcohol if the public taste so demanded it to the exact standard that was wanted. That is perfectly apparent, and he could do it by absolute weight, and there could be no doubt about it. In order to carry that experiment out I now put before the Commission something like seven varieties of what I call synthetic refuselated corn spirit so as to bring it up by adding 100 of the fusel oil to 100,000 parts of absolute alcohol. I will leave these samples, because it is a matter that you require to taste and judge of later on. It cannot be done in a minute. All the labels and bottles tell their own tale. You can take any one. In some I have used only one fusel oil and in others I have used a mixture. You can secure a combination that would be endless in the production of whiskey by giving the same amount of secondary products and all entirely different in flavour, and therefore by chemical analysis giving you exactly the same results substantially. *This* one is a mixture of two. (*Producing sample.*) I have labelled them in sequence, and I have marked them for the information of the Commission. I do not think it is advisable to say anything more, but to deal with the generalities.

10909. Have you any analysis of these whiskies?—No, I have an analysis of the base.

10910. These are not all made up with the same amount of fusel oil?—Absolutely. They are as marked on the bottles, and I will give you the analyses of the base. The base in *this* one (and in all the other synthetic whiskey samples) is a three-year-old Cambus whiskey. Unless this mixture had been made when the whiskey was new and stored for at least two or three years in wood, it would be unfair, and you could not judge at all what the flavours or the character of the body would be. The analysis would be all right, because you are adding it by absolute weight. This Cambus contained per 100,000 parts of alcohol: acid about 6, ethers about 22·4, aldehydes 19, furfural ·06, and the higher alcohols 111, making a total of 159·8. To that I have added 100 of the higher alcohols, and they have been added by direct proportions by weight from these products. These (*handing in bottles*) are the actual fusel oils themselves, and you will see how the secondary products vary from one distillery to the other, and that on merely standing in the laboratory the one oxidises and the other becomes coloured and the other remains white, and, as I would submit to you shortly, they all contain entirely different mixtures in entirely different proportions—not one of them alike.

10911. That is the different higher alcohols?—The different mixtures of higher alcohols and other products.

10912. Hence you get, according to your wish, different flavours?—Yes. Here is one with the addition of one variety of fusel oil and 50 of another per 100,000 of alcohol.

10913. Would you kindly put in a few words exactly what your object is in producing these samples?—

10914. (*Chairman.*) Would you kindly put it in popular language?—I will try to put it in popular language, and try to be as explicit as I can. I say that if a chemical standard was to be fixed, then it seems to me that it would be perfectly legitimate, instead of defuselation, which used to be well known and practised in the early days, it would now be refuselation, and, by adding more or less, then you can make any variety of whiskey which would give the amount of flavour which you defined as a chemical standard, and that would be artificially done.

10915. For the sake of the public, so that they may know what it is, would you define refuselation?—By refuselation I mean adding back to the spirit which contains only a small proportion of these higher alcohols, namely, one-third generally of the maximum amount that exists in any variety of Scotch whiskey, to add back to it another 100 parts, or 200 parts, in

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order to make it the same as the maximum of any Scotch whiskey or any variety you like.

10916. (*Dr. Horace T. Brown.*) The point is this, that you maintain that if a standard of any kind were laid down, the manufacturer would work up to it?—Certainly; and he could work up to it in more ways than one; and he could work up to it absolutely by weight, by adding the higher alcohols in the way that I have described.

10917. What would be the general effect on the whiskey?—Excellent. You try it. If you say that you like higher alcohols, the secondary alcohols in pot still whiskey, if you like that flavour and desire it, then you have it here.

10918. These fusel oils, I suppose, were obtained from the patent still?—Certainly; most decidedly.

10919. You would argue strongly against the establishment of any standard?—Certainly; very strongly. There would be all varieties. The whole variation in Scotch whiskey is in the ratio of one to three, and generally one to two. I have given all the analyses before and summarised them all.

10920. Have you had any experience of the influence of age on these synthetic whiskies, as you call them?—I have noticed already that this sample, which was a sample which has stood longer in the laboratory than these others, seems to be decidedly better, and I have no doubt whatever that if it had been in wood it would have been very much better.

10921. Of course, in glass you would not expect any change?—There is no change, but you see there is the oxidisation going on. There is change going on in the actual things themselves, and this one is decidedly more clear than the others. If you taste that that will give you the idea of what is the effect on flavour. Then I ought to give you this also as another peculiarity. Here is a sample of the solid material which you get on the distillation of the fusel oil derived from the use of all malt. The all malt product is a more complicated product than what you get from the other varieties of grain.

10922–3. The fusel oil is separated in the patent still from the all malt mash?—Yes. And the solid separated out from the dry material is one in which you would recognise the aroma as in some way connected with a distillery. That is the product, and you can easily see how a flavouring matter of that kind, when added back, gives a very potent flavour to the spirit.

10924. What is the nature of the bye-products in the patent still whiskey as compared with the bye-products in pot still malt whiskey?—It is very difficult to say. I have not had time to exhaust that problem, but if either the physiologists or yourself desire it, here are carefully fractionated samples of an all malt patent still fusel oil, the second distillation done as carefully as possible, and as elaborately as possible. There are twelve samples of the second fractionation. That will give you some idea of the complexity of the problem.

10925. (*Dr. G. S. Buchanan.*) Are they specially made?—No, not specially made. This is fusel oil from an all malt whiskey—(*referring to a sample*)—and that solid is separated out from that. That gives you an idea of the complexity. I can give you the fractionation of all these fusel oils in the first distillation, and I can give you an elaborate fractionation in the second done with the greatest possible care. That gives you some idea of the complexity of these products. Of course, then you might add any or different proportions of these fractionated products, but understand that in these synthetic whiskies I have taken simply the whole general product of the fusel oils themselves and have not fractionated.

10926. (*Dr. Horace T. Brown.*) But, generally speaking, you regard the bye-products in the different classes of whiskies as generically of the same type?—Yes, only that the solid body which has that fine aroma comes only from the use of all malt.

10927. Have you found furfural exists in freshly distilled patent still whiskey?—Not in the new patent still whiskey. As a rule, only after keeping in wood.

10928. You regard it as derived from the wood?—I do. I think in the majority of cases the patent still whiskey does not contain much furfural.

10929. Do you consider there is a complete overlapping in the amount of bye-products in various whiskies?—Yes. I made an examination of all the patent still analyses at the time of the first inquiry, and it was clearly made out that there was overlapping in the case of the Lowland malts as compared with some of the varieties of the grain.

10930. Do you think it impossible to determine on a sample of whiskey of unknown origin whether it is patent still product or a pot still product?—Of course, now, I think you might say on the average, knowing that in the case of the grain whiskies produced by the patent still that the average amount is from one-half to one-third of what it is in the Campbeltowns or the Islays, you surmise, of course, that it is the product of patent still; but the flavour would tell you in a moment.

10931. On the other hand, you have Lowland whiskies which come very near that, do you not?—Quite so.

10932. What are your views with regard to the ageing of whiskey?—My view is that I have noticed a very great difference in the rapidity with which the whiskey matures when I use it in a damp cellar in Cambridge as compared with a dry atmosphere in London. I happen to be high up in a dry atmosphere in London, as compared to a damp cellar in Cambridge, and I have noticed an enormous difference in the character of the whiskey. One gets a large quantity of water absorbed, and it gets more tannin; it gets more highly coloured, and it does not improve and mature so rapidly as in the case of a dry atmosphere in London.

10933. Have you formed any idea in your own mind as to the question of the influence of age on any possibly deleterious substances which are present in new whiskies?—I do not think there is any deleterious substance present in whiskey, even from the beginning. My observation of the difference between the character of the whiskey now kept in Cambridge and in London drew my attention to it, and that it is the right conclusion has been substantiated by the American investigation, that oxidisation is going on, you are producing acetic acid probably in a large amount, and that, of course, is producing a new proportion of esters, and you have aldehydes and esters being formed, and that goes on until a balance or equilibrium is reached. That is what I said in my evidence at the first inquiry was my explanation, and that is exactly what has been substantiated by more recent and independent inquiry. At page 530 of the evidence at the first inquiry the magistrate asked me: "Is there any change in the impurities by reason of the age in wood?" and I said "Undoubtedly, sir." "It is attributed to that perhaps that one gets the mellowness in the old whiskey that you do not find it in new, is it?"—"It is. There is no doubt whatever that there is a new equilibrium—an equilibrium between new ethers. There is an increase in the acidity in a remarkable way in the grain whiskey. You cannot have the acid in the presence of alcohol without forming a certain amount of new ether. Whatever the acid is then, it forms a new ether. That has a different aroma. Then these phenolic bodies get absorbed partly by the wood, and there is a large change going on, although it is in such small proportions absolutely that we cannot measure it." That is what I said in answer to the question as to the chemical actions that were known as going on in the maturation of whiskey.

10934. (*Dr. G. S. Buchanan.*) Can you tell us the age of the whiskey that you yourself use and which you have been commending to us?—The age of the whiskey that I use in my house is, I believe, at least six years old.

10935. Has that whiskey been matured in sherry wood?—As a rule the whiskey that I use has, and that is well known, of course, as a help. If they could get sherry casks they would always use them for maturing whiskey.

10936. Since you have known this whiskey was a grain whiskey and made in a patent still you have thought none the worse of it, and have been quite ready to tell people its origin, have you not?—Oh, yes, quite.

10937. You think that it certainly should be called whiskey?—Certainly.

10938. Would you have any objection to its being called by the distinctive name of grain whiskey if sold to the public?—I see no objection. That is, of

course, a question for the Commission, but I see no objection to that whatever.

10939. Just as there is malt whiskey and grain whiskey?—If you make a distinctive definition that malt whiskey should mean the product of an all malt mash and that grain whiskey should mean the product of grain with a proportion of malt, then it is for the Commission to define.

10940. (*Dr. Adeney.*) Is it a fair assumption from your remarks upon the effect of ageing that the secondary products do increase in amount as the result of the ageing?—Yes, there is no doubt there is an increase in the amount of acid and an increase in the amount of esters.

10941. And the higher alcohols?—There is no proof of an increase in the higher alcohols. That would involve molecular condensation which is quite unlike anything that we should anticipate.

10942. (*Dr. Horace T. Brown.*) But it may be inferred by the greater strength of the higher alcohols?—That is a secondary effect. That is why I was drawing your attention to the differences according to the temperature and atmospheric conditions, but I did not understand Dr. Adeney was putting to me the question as to the difference of constituents.

10943. (*Dr. Adeney.*) No, I was not?—I say no.

10944. Have you tested Irish patent still spirits to anything like the extent that you have the Cambus whiskey?—No, I have not. When I am in Ireland I like Irish whiskey, and when I am in Scotland I like Scotch whiskey.

10945. Do you notice any great difference between your Cambus that you are accustomed to take in your own home and the Irish whiskey that you get in Ireland?—Yes, I think they are quite a different flavour.

10946. Do you know the flavour of the Irish patent still spirit?—I have tasted it, but I cannot say I know it so well as I know the Scotch, because I do not use it.

10947. Is it distinct from the Scotch?—Yes, it is distinct so far as I have tasted it; I have not the experience of that, but we know perfectly well that no person who knows anything about whiskey can mistake an Irish for a Scotch whiskey.

10948-9. That we associate with the pot still or the blends containing a portion of the pot still?—Yes.

10950. We have had some evidence of the use of heat by naked fire in the pot still process as against heat by steam pipes. Do you regard that as an essential part of the pot still process?—I do not. That is the suggestion that there are basic bodies or bodies of the furfural type produced by some destructive distillation of the albumenoid bodies, and that they give flavour. I do not believe that. I believe the particular flavour of whiskey is due to recondite bodies that we probably know nothing about, and you will see that when you taste these very samples yourself, because the minute trace of that highly smelling solid added to whiskey would produce an enormous effect. To give you an idea of that—I will not mention any names—but the Commission can look at these samples which I call de-fuselations. (*Producing samples.*) *Here* are two whiskies, well known, and these two whiskies have simply been treated with 2 per cent. of charcoal. You will see what is the effect on these two whiskies, that are both pot still whiskies, by this 2 per cent. of charcoal. You would not recognise that they were pot still whiskies, or anything else, although one is Irish and one is Scotch.

10951. Have these been shaken?—No, they have not been shaken at all; but 2 per cent. of charcoal has been left in them and nothing done to them. You will have the chance of examining these hereafter at your leisure. That is what is called de-fuselation. You can see the names on the bottles, and you can then examine the products. As I say, that is simply the result of leaving 2 per cent. of charcoal—wood charcoal, and not animal charcoal—showing you that the whole flavour and the whole aroma and smell now deceives you.

10952. Would you regard ageing as a part of the process of the production of whiskey?—I am strongly of opinion that it would be an advantage to have whiskey matured for a certain time in wood, until it is, at any rate, in partial equilibrium. It is quite clear that this action goes on rapidly in some whiskies much more so than in others, and I cannot help thinking that the product is improved enormously by being, say, a couple of years in wood.

10953. What would you associate in your mind with that word "improve"?—It would be an improvement in this sense, that you produce then a new equilibrium; you get a new amount of esters formed, and the flavour is improved, and you get a certain amount of tannin and colour from the wood, and the aroma is helped and improved. The aroma of the whiskey has a great deal to do with the taste of it. If you have not the aroma you can be deceived absolutely.

10954. Do you associate any effect on the health of the consumer with that term "improve" that you have just used?—Oh, no. It is a matter purely of flavour and finesse. It is a matter of taste and refinement. One person likes a coarse thing and another likes a refined thing.

10955. I do not know whether it is fair to ask you the question, but your account of your early contact with distilleries suggests to me that you might be able to help us upon the question of what occurs on the putting back of feints from a given distillation to low wines for the production of whiskey?—It gives you always the certainty that you have got the vapour of these higher alcohols carried over with that portion that you are going to select as whiskey.

10956. Can you give us any explanation how it is that these feints do not overtake the distiller? Apparently they do not. There is always an equilibrium in the cycle of the distillation process?—If there is an equilibrium, then the whiskey would require to be of an absolutely constant composition.

10957. Which it is not in your experience?—It is not. It is quite clear if you have got A x B you begin with A, and you say A is a mixture of feints and foreshotts, and feints and whiskey—call it A B C. You distil that mixture A B C, and you take out B and leave A and C, and you add A and the C again, with portions of A B C. It is quite clear that by doubling the amount of A's and doubling the amount of C's you are taking out the amount of B. If you put it down on paper it would be quite incomprehensible.

10958. Do you agree with me that the only explanation of this is a loss of bye-products in the spent lees?—Yes, most decidedly.

10959. (*Mr. J. Y. Buchanan.*) You hold that there is a fractionation in the pot still process?—Yes.

10960. And that the object of the various kinds of stills was for fractionating and improving the product?—Yes, but I think the object was much more than that. The object was at that time not the production of a different whiskey, but the production of it more economically and more rapidly in one distillation. That was the object of the use of the patent still.

10961. I was coming to that. What I was going to ask you then was, do you think that Coffey, when he was working out his still, was influenced by the desire to produce a really scientific distilling method to do at once what all the pot stillers in the country were trying to do and doing badly?—No doubt.

10962. People used to talk a great deal about raw grain whiskey?—Yes.

10963. Do you think that by that expression people meant whiskey distilled when it was fermented without malt or simply a raw grain fermented either with acid or some other thing?—I think not. I should have thought that they meant that it was a mash containing not all malt, but containing some grain unfermented.

10964. I understood at one time the phrase "raw grain whiskey" was used in contra-distinction to malted grain whiskey?—All malt?

10965. Yes. Is that your opinion?—I do not think so. Within my knowledge the grain whiskey was associated simply with the production of it by means of the Coffey still.

10966. Do you think that it came to be synonymous?—Yes, that is how it generally became differentiated. But it is very difficult to get into the labyrinth of the naming of whiskey in Scotland and its production.

10967. Then you have spoken of the American experiments. Do you refer to the experiments by the American Department?—Yes, by two of the officials. It is in the journal of the American Chemical Society

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for January, 1908, and is by two of the officials of the Government, C. A. Crampton and L. W. Tolman, and is entitled "A study of the changes taking place in whiskey matured in wood." It is by far the most elaborate and important paper that has ever been published on the maturation of whiskey.

10968. You agree generally with their conclusions?—Certainly.

10969. I think if I remember rightly that they kept their whiskey in casks, under conditions something like those you describe—very dry and very hot?—Yes.

10970. 90 degrees or 100 degrees Fahrenheit?—Yes, that is quite true.

10971. They attach a great deal of importance to the diffusion which goes on along with what you describe as the etherification?—Yes, the equilibrium. They found that after a certain period of storage, it may be four or five years, there is no similar rate of increase as during the first two years. The curve of ratio of increase of variation is rapid at the beginning and falls off as it gets older.

10972. It is likely to remain constant if put into any other substance?—Yes.

10973. Their observations show that that occurred in a warm cellar after about five or six years?—Yes, they found the equilibrium was reached in about five years.

10974. And, I suppose in a cold cellar like your Cambridge one it would be much longer?—Yes, and then it gets deteriorated from the absorption of water and the tannin in the wood is much more easily dissolved. It becomes bitter.

10975. But in the American experiments and in your London cellar the water disappears, does it not?—Yes.

10976. And the strength of the whiskey is rather increased?—Yes, there is osmotic action going on through the wood.

10977. And the volume of your whiskey would diminish, would it not?—Undoubtedly.

10978. I think the Americans give some figures about the diminution of volume?—Yes, they give all that and they give also a few examples in uncharred wood. The majority of their experiments were made in charred casks, but they have given a set of experiments in uncharred casks.

10979. Then you think the charring of the casks produces something like the effect you told us of with regard to the charcoal?—No, because this is to get a flavour, and this is to take a flavour out. They charred the wood simply to leave a miscellaneous mixture of extractive matters in the charcoal so that the whiskey can take it out. The object of that is a different story altogether. This is charcoal that when you have heated it to a red heat, as I have used it, gives out nothing, but you cannot heat a cask and char it to that extent. You get matter that the whiskey can dissolve out of the charcoal.

10980. (*Dr. Bradford.*) Have you, in the course of your experience, come across the practice of adding shavings in order to mature whiskey?—I have heard of it, but I have not seen it practiced.

10981. We have been told that by some witnesses, but you have no actual knowledge of it?—I have no actual knowledge of it. The use of shavings and trickling alcohol over it is a very old process for the production of acetic acid, but I never knew of it being used to assist in the ageing of whiskey.

10982. (*Chairman.*) The Commissioners are much obliged to you for the great trouble you have taken in bringing these matters before them.

The witness withdrew.

Sir R. D. Powell.

Sir Richard Douglas Powell, called.

10983. (*Dr. Bradford.*) You are the President of the College of Physicians?—Yes.

10984. You have been physician to more than one London hospital?—Yes.

10985. Would you tell the Commission what hospitals you have been physician to?—I have been physician to the Middlesex Hospital, to the Brompton Hospital for Consumption, and I have been connected with other institutions.

10986. At the present time you are consulting physician to those hospitals?—Yes.

10987. You have had a large experience, of course, in the treatment of disease in the course of your hospital and private practice?—Yes.

10988. Would you kindly tell the Commission what stimulants are most usually ordered in the treatment of acute disease?—I should say spirit in some form, brandy and whiskey, and more rarely other spirits, and, of course, occasionally wines, such as champagne and port.

10989. We will confine ourselves to spirits. In your opinion which of these spirits is the more largely used?—Brandy unquestionably is much more largely used.

10990. You state in your *précis* that at one of the hospitals to which you are attached it is used at least ten times more than whiskey?—Yes, I was quoting the Middlesex Hospital; and the same remark would apply to the Brompton Hospital.

10991. It was used there ten times more?—Yes, about that.

10992. Have you noticed any change in the last twenty years with regard to the relative proportion of whiskey used?—I do not think there has been much change. I have not observed much change myself. I think more whiskey is used as a beverage now than brandy. I should say a good deal more of late years.

10993. Medicinally it might be described as being used as a stimulant and for dietetic purposes, might it not?—Yes.

10994. You think that from a dietetic standpoint there has been a considerable increase?—I should think so.

10995. But not in the routine treatment of disease for stimulant purposes?—No.

10996. Can you give the Commission any evidence as regards the kind of whiskey that physicians are in the habit of using in the treatment of disease?—I cannot say from my own experience that I have practically noticed any difference. I have only insisted that the whiskey should be fairly good. I have not specified any kind of whiskey, and I should not be able to judge as to the relative merits of particular kinds of whiskey.

10997. You have relied mainly on the purveyors of the whiskey?—On the fact of its being a good whiskey of a fair age.

10998. You would lay great stress on the age of the whiskey?—I would lay great stress upon that.

10999. But you do not think it has been a common practice amongst physicians to lay stress on whether it is a pot still or a patent still product?—I should think generally physicians do not know the difference between the two.

11000. Do you think they are aware that the bulk of the whiskey, or that a very large amount of the whiskey that is in the market, is what is known as a blend?—That, certainly, is one's general impression.

11001. You think they have that knowledge.—Yes.

11002. Can you assist us in any way with regard to the reputed ill-effects of new and raw spirit in the production of disease? It has been stated by some witnesses that it is a well-known thing that new and raw spirit causes very serious effects?—I should not have the slightest doubt myself that the raw spirits, recent spirits, which are drunk in the drink shops are responsible for a good deal of the bad effects of alcohol in producing mental disturbance. That would be my decided impression, but I have not analysed the spirits in the cases concerned, and therefore I can only speak from a general physician's point of view.

11003. Would you be inclined to say that it was definitely proved that mental disturbance was associated especially with the consumption of new and raw spirits?—I am quite convinced of it in my own mind, but I could not quote any authoritative evidence for it.

11004. Of course, quantity would play a considerable part in it?—Yes, but I should think that the adventitious product which is not matured would makes a great difference in the effects of alcohol.

11005. From a medicinal point of view would you lay stress on the flavour of whiskey? Do you think flavour is an important element in its use in the treatment of disease and for dietetic purposes?—I should attach some importance to what I may call the blended products, the extra products of alcohol upon which I gather the flavour depends. I should attach some importance to them, but of course the main fact is that the patient is taking alcohol of a certain strength.

11006. The main value of the substance depends on the amount of alcohol that is present rather than on the bye-products?—I should say so.

11007. Do you think the question of flavour would be likely to influence the amount of whiskey consumed dietetically? It has been suggested to us, for example, that the patent still spirit with a little flavour is less satisfying and more likely to cause thirst and thus likely to lead to increased consumption. Is that probable?—I should have thought, speaking as a man of the world, that a good flavoured whiskey would be more largely consumed than a whiskey without any flavour.

11008. It has been suggested that the more highly flavoured whiskey stands a greater dilution?—I should think that may be so.

11009. (*Dr. Cushny.*) With regard to the age question, it is merely a general impression that you have that the newer whiskies have this dangerous or bad effect?—It is my impression, and it is founded on the fact that in the newer whiskies there are products which are not properly oxidised—the amyl ethers instead of the ethyl alcohols.

11010. Of course, it is a very general impression among the public, and I did not know whether you simply shared that or whether you had really made definite observations upon it?—I have never gone into the question chemically myself, I am not competent to do that, but that is my very decided impression, that the object of maturing alcohol is to oxidise the bye-products to a certain extent—those which are injurious, such as fusel oil, and so on.

11011. The question might be put whether it is not simply to improve the flavour?—I do not think that is the main point at all. I have no doubt it does improve the flavour, but I think it makes the whiskey more wholesome. In prescribing whiskey I would specify that the whiskey should be of a certain age.

11012. (*Dr. Adeney.*) We have been told that when toddy drinking was customary whiskies were not aged, but they were all young whiskies at that time?—Yes.

11013. Do you know of that yourself?—I do not know. I never was in the habit of taking toddy, so I could not say. I should have doubted that very much myself.

11014. I was wondering whether the present value that is attached to old spirits existed years ago?—I should have thought that the toddies of old times were the purer Highland pot still whiskies. Patent still whiskies did not exist in those days, did they?

11015. I think they must have done, but we were told that at that time whiskey was not aged to anything like the extent that it is now. But you know nothing about that?—No, I know nothing about that.

11016. (*Dr. G. S. Buchanan.*) You told us that you did not think the medical practitioner knew much about the difference between pot still whiskey and patent still whiskey?—I should think not.

11017. But for example, in your case would you generally have an impression as to what were the essential constituents of whiskey apart from the alcohol?—I believe it contains a certain amount of additional ethers, a certain amount of amylic ether and other bye-products.

11018. You tell us in your *précis* that you personally had always thought of whiskey as a spirit distilled from malt, and that you believed that most whiskies, except those of the highest class, are blends of patent still spirit deriving flavour and aroma from the more genuine pot still product?—Yes, I should think that all the cheaper whiskies which would be mainly used in hospitals and by the large proportion of the ordinary public would be probably pure spirits blended with the flavour of pot still whiskey. I think good pot still whiskey is too expensive for general use.

11019. But so far as a medical man is acquainted with the question at all, he would share your impression that the characteristic flavours were derived from malt distillation?—Yes.

11020. And from pot stills?—Yes.

11021. We have had some evidence with regard to the advantage of having a comparatively neutral and flavourless whiskey from the patent still, that it is purer as regards freedom from possibly deleterious products, and apparently medical opinion is sometimes asked upon that point. Would you not think that it would be useful to enable medical opinion to be given on that matter that the spirits should be distinguished, that in fact it should be possible to know whether a whiskey is a grain whiskey, or is a blend, or is a malt whiskey?—It might be useful as a trade point, I should think, but if the whiskey is a pure spirit and the stuff it is blended with is a genuine and mature material, then it is whiskey all the same and it does not make much difference. I should like to draw attention to some very interesting experiments which were reported before the Royal College of Physicians by Dr. Rivers some little time ago. Some of his experiments and some experiments of others have shown that it made a good deal of difference in the apparent effects of whiskey whether it contained the flavours of the pot still—I presume the special flavoured whiskey—or whether it was a purer spirit; that if the man experimented upon with ergograph recognised the flavour of the whiskey it had a more pronounced effect upon him than if he was merely taking the same amount of spirit.

11022-23. (*Chairman.*) The pot still was stronger in effect?—It would have a more apparent effect.

11024. (*Dr. Bradford.*) That was one of my objects in asking the question whether the flavour did not influence the choice in the treatment of disease?—It has a mental effect. I think that was definitely proved by Dr. Rivers' observations and those people he quoted.

11025. (*Chairman.*) The Commission are much obliged to you for the evidence you have given.

The witness withdrew.

Dr. Robert Hutchison, called.

11026. (*Chairman.*) Are you a Fellow of the Royal College of Physicians?—Yes.

11027. Are you physician to the London Hospital?—I am.

11028. You have also studied and written on the subject of food and the principles of dietetics?—Yes.

11029. Have you had to consider in your professional practice and as a scientist the effect of whiskey and the constitution of whiskey?—Yes.

11030. What should you say in your view that whiskey is composed of? What are the ingredients?—It is convenient, I think, from a dietetic point of view to regard it simply as a mixture of water and alcohol and certain other things which one can class together as bye-products.

11031. Water, alcohol and certain bye-products?—Yes.

11032. I suppose water would not have much effect. Is it to the alcohol that the principal effect of whiskey

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is traced?—Yes, there is no doubt about that—practically entirely.

11033. In what position should you place the bye-products in relation to alcohol with regard to the effect?—I should say that the effect of the bye-products is almost negligible.

11034. (*Dr. G. S. Buchanan.*) The toxic effects?—The toxic effects. Relatively they are more toxic, but they are present in such extremely small amounts as compared with ordinary alcohol that they can be almost neglected, I think.

11035. (*Chairman.*) Are these bye-products of which you speak more abundant in malt whiskey than in grain whiskey?—Yes.

11036. And being more abundant, does time have a greater effect on them in the malt whiskey than in the grain whiskey?—It would need a longer time, I suppose, for them to mature in a malt whiskey, simply because there are more of them.

11037. It would be advantageous for malt whiskey to give more time for its maturation than in the case of patent still whiskey?—Unquestionably.

11038. That means that a younger malt whiskey is more likely to be injurious than the grain spirit?—Yes.

11039. From a medicinal point of view the value of the whiskey must be in its alcohol?—Yes.

11040. Do the bye-products of an old malt whiskey produce any beneficial result at all?—Some people believe so, but personally I do not think there is any strong evidence in support of that view.

11041. You do not think so?—No, personally I do not think the bye-products of whiskey possess any medicinal properties.

11042. I suppose you have knowledge of the extent to which whiskey is now used as a medical assistant?—Oh yes.

11043. Is it at all ousting the use of brandy?—I think it is, but that is due to many reasons. It is due partly to the difficulty of getting a really good brandy, and it is due partly also to the great expense of a really good brandy.

11044. When you say "really good" you mean that it must be for a medical purpose pure?—Yes.

11045. Is it your view that you do, as whiskey is now manufactured in Scotland and Ireland, get a pure spirit in whiskey?—Yes, you can get it much more easily than you can in brandy for a given sum.

11046. Its source is nearer, and we know more where it comes from than foreign brandy?—Partly, I suppose, that is the meaning of it. I should say that there is still a great deal more brandy prescribed for medicinal purposes than there is whiskey.

11047. Considerably more?—Yes. I should say at my own hospital there was a distinct movement in favour of ordering whiskey instead of brandy.

11048. Is it as beneficial to the patients for dietetic purposes? Is it as acceptable?—I do not believe myself it is as beneficial as a really good old brandy, but in hospitals you cannot buy a really good old brandy, it is too expensive, and therefore there is a tendency to use whiskey in preference to using brandy.

11049. I suppose in the case of persons in extreme old age being kept alive almost by stimulants, brandy is still the best if you can get good brandy?—No doubt it is better than anything else.

11050. Can you assist us at all in drawing any definition between the pot still pure malt whiskey and the grain whiskey?—I do not quite follow.

11051. The pot still whiskey is the old form of process, and in that process pure malt is very largely used. The patent still is a different process, and grain other than malt is used to a much greater extent than in the pot still whiskey. Has that difference been called to your attention?—Oh yes.

11052. What is your view on those points of process and material?—Speaking purely from a dietetic and medicinal point of view, I do not think the definition between the two processes matters. If it be true what one believes that the bye-product is unimportant as regards its effect on the body, then it does not really matter how the spirit is produced. If it is the alcohol that produces the effect, then it does not matter whether it is produced by the patent still or by the pot still.

11053. In the pot still it is not only the process as compared with the patent still, but the use of malt. Do you draw any distinction between malt and grain other than malted barley?—No.

11054. Is it your view that if you had a patient under your care it would be no matter to you whether it was pot still or patent still which you ordered him?—None at all, but I should like to be sure that the whiskey was matured.

11055. In the first place you would like to know whether it came from a source where you would be pretty sure to get pure whiskey?—Yes.

11056. Then also you would like to know the bye-products, would you not, and also that the whiskey being mellowed would be better than if it were new?—Yes.

11057. Apart from those considerations you have mentioned, you do not care whether it is pot or patent still?—No.

11058. Do you think from what you have heard and know of the purity of the whiskey now that any restriction that could be placed upon the manufacture and materials would be of any service?—I do not think there is any need of any restriction from the point of view of the health of the community.

11059. Would you like to have any stipulation made by legislation that the whiskey should be of a certain age?—I think that would be an advantage.

11060. Have you sufficient skill and knowledge to say what age you think should be put as a limit?—I would rather leave that to the trade.

11061. Do you see any advantage in having any labels or marks put on the bottles out of which the whiskey is sold to the consumer?—Yes, I think it is right a man should know what he is getting.

11062. To what extent would you go in that respect?—If you distinguish between pure malt and a grain and a blend it would be sufficient.

11063. And, I suppose, you would like to be told whether it was Scotch or Irish?—I do not think that matters so much as long as you know the source.

11064. Would you think the consumer, at any rate in England, knows much difference between pot or patent still, or malt or grain?—I think he knows what he likes, but he does not know why he likes it.

11065. He knows what he likes when he tastes it, but he may not know what it is when he asks for it?—He would soon find out that the thing that was labelled "Blend" was the thing that he liked and which suited him.

11066. Why should there be this differentiation in effect as regards whiskey other than any other production? You do not do this as regards wine?—You label the vineyard that it comes from in the case of a claret.

11067. We do not insist upon that; that is only for convenience. Here you get Cambus marked by the trade, but we do not ask that wine should be labelled by any particular vintage?—But the man who buys it does.

11068. We are on the question of legislation. Freedom of trade and finding the public demands it is one thing, but whether the Legislature in its wisdom should say "We think the public ought to know" is another thing?—There are a certain number of medical men who believe that pure malt whiskey is better, and there are a certain number of medical men who believe that a blend is better, and I think they ought to be able to order one or the other and be sure of getting it.

11069. You can get it by going to a trader who will give you what he is asked for, but could you apply anything like this rule you are suggesting to brandies, for instance?—I do not know.

11070. (*Dr. Horace T. Brown.*) You have mentioned that you consider that the influence of the bye-products is practically insignificant?—Yes, in their medicinal effect.

11071. I do not quite understand your position with regard to the ageing of spirits if that be the case?—I can see there is an apparent inconsistency, and I only insist on ageing because there is such a strong

general belief amongst medical men that a young spirit is more injurious than an old one.

11072. Is not that more an article of faith than anything else?—I agree that the evidence for it is not really very strong.

11073. Is there any evidence?—You can simply say it is a general impression which I suppose is derived from the professional experience as a whole. I could not give chapter and verse for it.

11074. Do you think there is any better evidence for it than there is that the sun puts the fire out?—I do not know.

11075. That is the popular belief, of course?—Yes, but still these popular beliefs about articles of diet often have something at the back of them. I believe myself that the injurious effect of a young spirit, if any, is on the digestive organs, and that it produces a condition which some people describe as biliousness. I do not think it affects the nervous system.

11076. The Commission is earnestly seeking for evidence as to the effect of new spirits, and I hoped you would have something definite to bring forward?—I have nothing definite.

11077. (*Dr. G. S. Buchanan.*) It would be a very difficult matter to get evidence on that point, would it not?—Very difficult

11078. To get conditions of population, one population taking new spirits and another taking old, and comparing them?—It would have to be done on a very large scale to make the evidence worth anything.

11079. It is a thing that can hardly be settled by individual experiments on two or three people, however carefully they were conducted?—Quite so.

11080. Have you any views on the after headache that you said would come from bad spirits, apart from the question of the amount of alcohol taken?—I think I have always been in the habit of regarding that as due to the bye-products.

11081. It is a common experience, when a man takes some form of alcoholic drink, even in quite small amounts, that he is not used to, or at some unusual time. For instance, a man taking a glass of champagne for lunch when he does not ordinarily have it gets headache, and other disturbances afterwards, which can hardly be accounted for merely by the amount of alcohol taken. In that case that probably would be the bye-products?—Yes, the bye-products.

11082. As to the advantage of describing whiskey in broad classes, we have had it represented to us that the more fully flavoured whiskey, like an all malt and pot still whiskey, is an economical whiskey, and more satisfying in that it will stand greater dilution with water or soda water and yet make a pleasant beverage Might not that be an advantage to the medical man who wished to let a patient have whiskey in a small amount, a small quantity of alcohol, but at the same time to let him have the feeling that he had had some whiskey?—I would not trust to that method of tricking a man into taking a little less alcohol than he otherwise would. I do not think that would be any practical advantage. I should like to know whether a spirit is malt or not, because I have a strong impression that many persons leading sedentary lives cannot stand the pure malt whiskey. I know that from my own personal experience. I could not drink habitually pure malt whiskey. I have tried it, and it does produce in me that condition that is described as biliousness, whereas a well-matured blend or a patent still whiskey does not have that effect. That may be simply a personal peculiarity.

11083. You were asked about the case of separate differentiations for brandy. Do you think it would be an advantage to distinguish between brandy that was derived from the distillation of the juice of the grape and brandy which was to a large extent neutral spirit?—I think it is an advantage, because if one pays for genuine brandy one has a right to get it, but I am not at all sure it is such an advantage from the point of view of health, because I am not satisfied that these inferior or so-called "faked" brandies are so injurious to health really.

11084. I rather gathered that you consider a really good old brandy is more important than another form of brandy in the treatment of disease?—Yes, when you are talking of brandy as a medicine then I do believe the ethers in a well-matured brandy are useful.

11085–6. Is it not conceivable that the same thing might apply to whiskey?—It is. Some medical men believe it is so. Personally I am not sure it is true of whiskey.

11087. But you think it is true of brandy?—I think so.

11088. That is a point I notice in your book on "Food and the Principles of Dietetics" you lay considerable stress upon?—Yes, on the effects of the ethers.

11089. You say "In a case presenting signs of profound nervous and cardiac prostration the best liqueur brandy should alone be employed, no matter how much one has to pay for it. There can be no doubt that its free and timely administration has saved many lives"?—Yes, I think that is true, but one is speaking of whiskey as a medicine and not as an article of diet.

11090. I think in this book and elsewhere you have advocated that there should be information given to the public in connection with articles of food that would give them some indication of what value they are getting for their money?—Yes. The medical profession can never make up its mind as to whether a pure malt spirit or a pure grain spirit is better unless they know what it is the patient is getting.

11091. It is just the same as in the case of many patent foods. We want first of all to know what is in them?—Yes.

11092. (*Dr. Adeney.*) May we take it that although there is no positive evidence in support of the value of aged spirits, whiskey or brandy, still you think there is considerable value derived from human experience?—Yes, I think that is the fair way to put it.

11093. And that entirely depends on the secondary products mixed with the alcohol?—Oh, yes; there is no doubt about that.

11094. So that by inference the younger spirit is to be avoided and the old spirit is to be sought, both for dietetic purposes and for medicinal use?—Yes, for both.

11095. So that although little or no direct evidence is known in support of the popular idea that aged spirits are preferable for general use both in dietetical and medicinal use, still you would suggest there is a value in aged spirits?—Yes, for habitual use I should still say I would sooner use them old.

11096. That is the general professional belief and experience?—Yes.

11097. (*Mr. J. Y. Buchanan.*) There is one question that has been suggested by what you said with regard to the bye-products, or rather that in prescribing whiskey or brandy, it is the alcohol that produces the effect, whatever it is, that you desire, and that the bye-products are in so small a quantity that they do not produce any effect. Most people when they take whiskey take it diluted down to a certain moderate strength which is something like wine. Do you, in prescribing wine, attach as little importance to the bye-products, or is it only the alcohol?—No; wines are in quite a different category. The acids in wine are very important. The amount of acid in whiskey is negligible.

11098. The dilution of the spirit when the patient takes it does not bring it down to much the same?—No, it still remains different to wine, because you have sugar and ether and acids, and all kinds of things in wine, which you do not have in spirits.

11099. (*Dr. Cushny.*) You regard the alcohol as by far the most important part in the medicinal use of whiskey, and the bye-products as of comparatively trifling importance?—Yes.

11100. Do you think that pure alcohol itself can be used instead of whiskey?—I believe you would get the same effects from it, but the patient would not like it, and you have to take that into consideration when a man is ill.

11101. You want the bye-products to flavour?—Yes, some people do administer pure rectified spirit flavoured.

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11102. Do you think they get as good results?—They say they do.

11103. Would you prefer this pure alcohol to a young malt whiskey? Do you think the bye-products are actually injurious in the case of a young malt whiskey?—I believe they are—not to the brain so much, but I think they are irritant to the digestive organs.

11104. (*Dr. Bradford.*) In your practice at the London Hospital you have patients who come from very poor districts?—Yes.

11105. And I suppose there would be a considerable amount of cheap whiskey sold in those districts?—There probably is in Whitechapel.

11106. You have not in the course of your experience there found that the incidence of alcoholic diseases are different to that of the experience of other physicians?—No, I do not think so.

11107. You cannot correlate any alcoholic diseases with cheap whiskey or with raw spirits?—Not the least.

11108. You are quite satisfied about that?—I am quite satisfied about that. I think the popular impression to that effect is wrong.

11109. Not even diseases of the alimentary canal?—No.

11110. (*Dr. G. S. Buchanan.*) Would you be in a position really to know if there was any characteristic disease to be associated with the raw spirits sold at cheap public-houses in Whitechapel?—You would see if it produced a special type of alcoholism, a type in which the brain was particularly affected.

11111. If it were on a large scale and you had a great number of patients it might be possible, but in the absence of something very striking which would show in large numbers of cases, would you be likely to make anything of it?—We do see a great number of patients and a great number of alcoholists, and we do not recognise any special type of alcoholism we can attribute to the quality of the drink sold in the neighbourhood.

11112-13. But in our experience with arsenic in beer arsenical neuritis had been going on for many years before the arsenic epidemic. The matter was brought to a head by the occurrence of an epidemic on a very large scale, and it was only then discovered what the neuritis was due to?—It was discovered.

11114. After it had killed several hundred people in a few months?—I should have thought it was discovered by the acumen of one particular physician.

11115. The first thing was to provide the physician with material?—We have abundant opportunity for getting material in Whitechapel, and we have acumen enough to have discovered if there was any particular kind of alcoholism which was produced there.

11116. Do you think if you had been in Manchester for years before the arsenical epidemic, and you had only been dealing with the small amount of arsenical neuritis that was present in those days that you would have been able to find out that characteristic of Manchester beer?—I do not know that that is quite a fair question. I do not suppose I should, as so many other people did not.

The witness withdrew.

(Adjourned for a short time.)

Prof. W. E. Dixon

Professor Walter Ernest Dixon, called.

11117. (*Dr. Cushny.*) You are Professor of Pharmacology and Materia Medica at King's College, London, and Assistant to the Downing Professor of Medicine, Cambridge?—Yes.

11118. You wish to give evidence with regard to the change which has come about in the manufacture of whiskey?—Yes.

11119. And the bearing that that has on public health?—Yes. Of course, it is generally known that whiskey has replaced to a large extent beer and wine in this country. That is the first point. Then, secondly, the manufacture of whiskey has altered during the last 20 years. Whereas 20 years ago 70 per cent. of it was prepared from malt and distilled in a certain way and 30 per cent. was patent still spirit, now practically the reverse has come to pass. I would also like to state that this change has not been appreciated by the medical profession, who originally prescribed it, I believe, as a less gouty form of drink than wine or beer. It was Sir William Roberts who recommended it originally as a less gouty form of drink. I think it is important to understand at once whether this alteration in the manufacture of whiskey has produced any detrimental action on the public health. I have got some figures here which I could give you, but I think you have already had a lot of evidence to show that the cheaper you prepare a whiskey the fewer bye-products it contains, and either less alcohol or the same percentage of alcohol, so that, from the point of view of toxicity, cheap spirit—that is, a spirit that is prepared in a cheap way—is, generally speaking, less toxic and certainly not more toxic than a more expensive sort prepared from malt distilled in a pot still.

11120. Do you think that the same amount would contain the same amount of alcohol but without the bye-products?—The bye-products are very much less.

11121. Do you think the bye-products are a toxic constituent?—No; but I do think that a whiskey containing 50 per cent. alcohol is more toxic than 50 per cent. of alcohol.

11122. Is that founded on experiments, or is that an impression?—No, that is founded on experiments. I think it was done by Abel, and I think it is stated definitely in Cushny's Book on Pharmacology.

11123. I thought, perhaps, you had done some experiments yourself?—In that connection I should like to mention two types of experiments that I did myself, but which are not of very great importance. The first was to determine if it is possible to distinguish different whiskies when they are uncoloured—patent still whiskies and pot still whiskies. I had about a dozen of these diluted in the laboratory, and I got all the men who came in to taste them. I may say that the pot still whiskies, of course, they were always able to distinguish, and one sample of patent still whiskey distilled in Ireland was always readily distinguished, but as to the others it was very difficult. The percentage of error as to whether it was alcohol or whether it was whiskey was practically 100. To verify that experiment I made some artificial whiskey at home. I got a 50 per cent. solution of alcohol, and added a glass of sherry to the bottle, and then coloured it with a little burnt sugar. When my friends came in I offered them whiskey in the ordinary way, and none of them made any remark about it; it had the ordinary taste and effect of whiskey; in fact, it was whiskey as we ordinarily understand whiskey. So that the real question from those experiments is, I think, is there any difference in taking this whiskey which is mainly alcohol, and the genuine whiskey which is alcohol with a considerable proportion of bye-products? I think at once there is this essential difference—it is derived from experiment—that a whiskey that contains a considerable percentage of bye-products produces a feeling of warmth and comfort in the stomach which alcohol alone, taken properly diluted, does not produce, that is to say, it produces a greater feeling of satisfaction which I put down entirely, and of course it must be due, to these other substances which you do not get with alcohol.

11124. You wanted to bring up some points as to the action of whiskey, first of all, with regard to the taste?—I should like to say that I think there is a distinct difference in action between whiskey and spirit. In giving evidence of that I should like to say, in the first place, that I am perfectly well aware of the very minute quantities of these bye-products,

and of the criticism that may be made that there is such a small proportion of them that it is impossible that they can produce any effect. I think it is extremely likely that they can produce an effect, and I should like to give two analogies, if I might. One is that chloroform at the present time is prepared in two ways, one from acetone, and the other from alcohol. The acetone chloroform, although it is $CHCl_3$, produces an irritant action, and that irritant effect does not occur with the chloroform prepared from alcohol, and it has been further shown that this is due to about ·1 per cent. of ethyl chloride present in chloroform prepared from alcohol. So that quite small quantities of these drugs can produce an effect. The whole theory of mineral waters in which drugs occur in minute quantities means that small quantities of drugs taken over a long period do produce an action. The evidence I wanted to give first of all was with regard to differences in action on the digestion by saliva. These are not my own experiments, although I have verified some of them. I should like to refer especially to the work of Chittenden, who is a well recognised American authority. One experiment of Chittenden's I should like to mention in which he used a whiskey residue and tested the effect of the whiskey residue on the digestion by saliva *in vitro*. His result was that when there was no whiskey residue present the relative amount of digestion would be put down at 100, and if there was 5 per cent. the digestion was 126, and if there was 10 per cent. the digestion was 124, and if there was 15 per cent. the digestion was 113. So that as far as these results go they indicate that the solid matter present in the whiskey had some stimulating action on a salivary digestion. I have done a few experiments of that kind, and there is no question that the residue from whiskey does increase the digestion of starch, whereas the residue from sherry and certain wines has exactly the opposite effect, and greatly retards the digestion. Then there was one other point I should like to mention in connection with salivary digestion, and that is that a whiskey with a strong flavour, a very aromatic flavour, produces a considerably greater flow of saliva than spirit. Merely holding the whiskey in the mouth produces a considerable flow of saliva; and if you hold an alcohol of the same strength in the mouth you do not get that flow of saliva. I do not wish to make out that those are points of any very great importance, but I point out that there is a little difference between the two.

11125. This residue you use is non-volatile—it is added to the whiskey?—Yes, it is the whiskey evaporated to dryness.

11126. It is non-volatile, and it has been added to the whiskey since it was distilled?—No.

11126*a*. Yes, if it is non-volatile?—No, not necessarily. There are certain solids which I understand are extracted from the cask while the whiskey is being kept.

11127. It may be extracted from the cask while the whiskey is being kept, or it may be added first?—Yes, precisely.

11128. They very often add colouring matter, for example?—Yes.

11129. You were giving some evidence with regard to the effects on the circulation?—Yes, and the respiration. I think the respiration is most important because there are really definite results with the respiration. There are definite results obtained by a great number of workers, and they all come to the same conclusion. They are not English workers, but nearly all German workers: one American worker, Abel, after writing a very long paper summarising all the work that has been done, comes to the conclusion that highly flavoured wines and brandy and other alcoholic beverages which contain a large amount of stimulating esters have a more pronounced effect on the respiration, increasing the respiration, than ethyl alcohol. Perhaps I might summarise the whole German work by giving one experiment by one of Binz's pupils, Wendelstadt. He shows that if you have a man who is fatigued, or an animal that has been fatigued by some exhaustive labour or exercise, and if you administer alcohol to them in those conditions you increase the percentage gain in the respiration by 30 per cent., and sometimes 40 per cent., but if you administer the alcohol in the form of cognac—he did not do it with whiskey—or with wines, you increase it to 80, and in some cases to 90 per cent., that is to say, you double the percentage gain or loss in the respiration volume. There is the result of that experiment if I might hand it in to the Commission. (*Same handed to the Commission.*) There are numerous other people who have come to the same conclusion—that wines and spirits of rich bouquet have a more stimulating action on the respiration than alcohol alone. The last point in the physiological action I would like to mention is on the circulation, and it is simply this, that as I mentioned before, whiskey or brandy produces a greater reflex effect than alcohol alone. If you place on an artery the instrument for recording the movements of the pulse and you hold a little ethyl-alcohol, say 30 per cent., in the mouth, that produces quite a considerable effect on the pulse, which is considerably quickened, but the acceleration passes over in two or three minutes. This effect is greatly enhanced if you give something with a high flavour like aromatic whiskey or cognac, or wine with a rich bouquet.

11130. (*Dr. Adeney.*) Were those experiments with spirits of the same alcoholic strength?—Yes, they were with the same alcoholic strength, that is the important point, of course. Besides that acceleration you get a considerable flushing of the face—of the ear—again with that type of substance. Of course, that is useful in practice, because everybody knows in fainting fits, and such like conditions, it is the habitual custom to put neat brandy in the mouth, as one imagines that it acts in that way, exciting the nerve ends and reflexly accelerating the heart.

11131. (*Dr. Cushny.*) Did you hear Dr. Stockman's views on that point yesterday?—Yes, I did.

11132. He scarcely agreed with you with regard to the flushing of the face. I asked him particularly whether there was any difference to be noted, and he said he could not make out any difference between rectified spirit and pot still whiskey?—But surely he was not doing it in the way I am describing. He drank the whiskey. I am not speaking of drinking the whiskey, but I am speaking of simply holding it in the mouth.

11133. We are more concerned perhaps with its effects when it is drunk than when it is held in the mouth. Have you anything to say about the exact action of bye-products? Have any experiments been done?—Except those that I have mentioned there have been no experiments done of the slightest value. That is a point which I think ought to be investigated. All the experiments that have been done on these bye-products have been patchwork, done here and there in order to finish off a piece of work: they have not been done with the idea of determining whether the bye-products in any special spirits or wine have any definite action.

11134. Should a standard be established for potable spirits, and if so, what sort of standard would you suggest?—In the first place I think it is of the greatest importance that one should know what one is buying. At the present time we are all agreed that margarine is an equally good food to butter, that it is quite as pleasant to take, but that in spite of its being just as good in every way as far as we know, if we ask for butter we expect to have what we ask for. So that the principal point is, I think that one should know definitely from the label what one is buying.

11135. What sort of a standard would you suggest? Would you suggest a chemical standard, or how would you standardise?—I have not all the evidence before me, and that is a difficult point for me to answer. Of course, standards might be made that it should be compulsory to prepare whiskey from certain grain. That is the first thing. Then secondly, it might be required to possess certain flavouring properties, or contain a certain percentage of bye-products. I do not propose to suggest that that is so. My main point is that I think one ought to know exactly what one is buying.

11136. You put a very great amount of weight upon the flavour?—Yes, because in the Pharmacopœia there are very many drugs which owe their action entirely to flavour. The whole of bitter substances are used for no other purpose than to produce a bitter taste and produce a profound effect on the stomach and on the appetite, so that I think flavour is of the utmost importance.

11137. Could you give us any information about a series of experiments that were done at Cambridge lately in which whiskey was used by Dr. Rivers?—Dr. Rivers' experiments consisted in measuring the

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amount of work which a certain muscle in the body was capable of doing, that is to say, there was a lever fixed to the middle finger and this was required to contract automatically every third second in this way (*describing*). By that means a weight was raised and the amount of work was accurately estimated. The subject was required to live under fixed diet and according to fixed condition, to take the same amount of exercise and as far as possible everything was done to make the experiment quite consistent. Then the effect of alcohol was tried upon him, and whiskey was tried along with alcohol. My part of the experiment was to try and hide the flavour of the alcohol, and so he had a number of samples of alcohol, the flavour of which was hidden.

11138. (*Mr. Guillemard.*) Was the experimentee a total abstainer?—Yes. In the case of the whiskey, that had to be given up, because the sensory impressions from the taste produced such a profound effect that one could not tell what effect was caused by the alcohol and what was due to the taste. Merely taking some substance that is pleasant to the taste increases the capacity for work, so that the whiskey, from the point of view of these particular experiments, was a failure; it did not answer the purpose, and had to be given up.

11139. (*Dr. Cushny.*) You could not make any use of it?—The experiments were not done with the object of trying whiskey; whiskey was not the object of the experiments. We administered the alcohol in a pleasant way, as we imagined, as opposed to the objectionable way in which it was being taken before, and it did very considerably increase the amount of work, but that was not due to the bye-products, but was only due to taking a less nauseating substance to the taste than was previously used.

11140. (*Dr. G. S. Buchanan.*) I should like to ask, for my own information, whether that difference that you have told us about between chloroforms prepared from alcohol or acetone is generally recognised?—I think that is recognised at the present time. The work was done by Rowell, Senior Anæsthetist at Guy's Hospital, and Wade, the chemist. As soon as they mixed a percentage of ethyl chloride with the chloroform prepared from acetone it lost its irritating properties, and became like the chloroform prepared from alcohol.

11141. (*Dr. Cushny.*) I think that irritating effect of pure chloroform has not been noted in other methods of manufacture, has it?—Are there any other methods of manufacture?

11142. Yes, chloral-chloroform and salicyl-chloroform. There are those two?—I do not know about those two, but here is Wade's original paper. I thought the only two common ways were those two I have mentioned.

11143. No, you can get salicyl-chloroform and chloral-chloroform?—Is that practically cheap?

11144. I do not know about the price, but they have been used.

11145. (*Dr. G. S. Buchanan.*) You think those are the two ordinary varieties?—Yes, the only two I am acquainted with.

11146. I did not quite understand in the experiments you told us of regarding the residue of whiskies and their action on salivary digestion and on the flow of saliva, whether the amount of residue used in those experiments was at all comparable to what would be obtained from whiskey under ordinary conditions or was very much larger?—No, very much larger and not comparable at all. I only gave them to show there was a difference.

11147. The same effect would be obtained?—Yes, of no practical significance.

11148. With regard to the effect on respiration of alcohol and cognac, were the experiments done actually with the spirits themselves?—Yes.

11149. That was not a question of residue?—No, that was a question of taking the actual spirit.

11150. Some of the experiments that you have just spoken of were intended to supply some physiological equivalent of the sense of well-being that you have spoken of?—Yes.

11151. You told us you thought that the exact action of the bye-products and residues on a living body was a thing that might with advantage be gone into experimentally?—Certainly.

11152. If it were so it might be an advantage to the inquiry on which we are engaged if you could give any sort of indication as to the lines of work that might be followed in a matter of that kind. What occurs to me is that, after all, those attempts to measure physiologically would be in any case so imperfect that they would be unlikely to give one sufficient results?—Of course, the methods that have been adopted up to now have been crude ones, such as taking the blood pressure in a man. One does not expect to get any result from such an experiment as that, I think. Alcohol itself produces no effect. The methods that would be adopted would require very careful thinking out, and I should be prepared to suggest them after thinking them over. To suggest casually experiments would be a little troublesome, but I am perfectly sure a series of experiments to determine the action of those substances in the amounts in which they are present in whiskey is quite feasible.

11153. (*Dr. Adeney.*) Do you mean separately?—No, together I should suggest.

11154. Mixed with the alcohol?—Yes, the qualitative difference is really what is required, I suppose.

11155. (*Dr. G. S. Buchanan.*) If you were doing those experiments on the human subject in that way, would it be important to take as a subject of experiment a man who was used to alcohol in some form or other?—I think it would be much more important to take people who were not used to it.

11156. Do you think a man who is not used to alcohol would be affected differently by different varieties of spirit from a man who was used to alcohol?—Yes.

11157. It is the ordinary experience of a man who does not take alcohol, I should think, that one whiskey to him would be equally as unpleasant as another?—Precisely.

11158. You would want those conditions?—Yes, I think so.

11159. If you have time would you put together some ideas that occur to you as to the lines of investigation that could be followed?—I should be pleased to.

11160. They would be of value to this Commission, but whether we could follow them would be a different matter?—It is most important, I think, that the Commission should have its own definite evidence of any differences which there may be between different whiskies, although such differences, we are all perfectly clear, are relatively insignificant. I only wish to point out that there are differences, but they are insignificant ones.

(*Chairman.*) We are much obliged to you for your evidence.

The witness withdrew.

(*Chairman.*) This statement the Commissioners wish to make, and it would be an advantage if it is made public: The Commissioners have now examined all the witnesses who have been suggested as able to give useful evidence upon the principal subjects that have been up to this time considered by the Commission. It may be taken therefore that the evidence upon these subjects is substantially concluded; but if any application be made to examine witnesses it shall be fully considered. It must not be understood that the labours of the Commission are at all drawing to a close, but we are dealing with subjects one after another in detail, and what I have said refers to the matters that we have considered.

(Adjourned to Monday, June 22nd, at 12 o'clock.)

TWENTY-FIRST DAY,

Monday, 22nd June, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*)

Mr. PATRICK ALOYSIUS MEEHAN, M.P., called.

Mr. P. A. Meehan.

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11161. (*Chairman.*) I believe you are member for the Leix Division, Queen's County?—Yes.

11162. And were chairman of the Queen's County Council for nine years?—Yes.

11163. Have you carried on business as a wine and spirit merchant for 35 years?—Yes.

11164. Have you been many years a member of the Committee of the All Ireland Traders' Association?—That is so.

11165. You have had a practical knowledge of the business?—Yes.

11166. I believe you have some licensed houses belonging to you?—I have six licensed houses in different parts of the county, and I have had control of them for about the period I have stated in the *précis* of my evidence.

11167. I suppose in this way you have obtained a practical knowledge of the Irish whiskey trade?—I have knowledge of the whiskey trade from having to buy whiskey and in dealing with it for such a very lengthy time.

11168. I need hardly ask you whether your trade is in Irish whiskey?—It is. I sell as well as Irish whiskey a small quantity of Scotch whiskey. Some of my customers ask for Scotch whiskey, and I procure it, of course, but it is quite a small quantity.

11169. Do you import it from Scotland, or is it manufactured in Ireland?—The only Scotch whiskey I have ever bought I bought through a Dublin wholesale merchant.

11170. When you say your customers ask you for Scotch whiskey I suppose that means from time to time?—Yes.

11171. Where do you obtain that from to satisfy that demand?—I get the small quantity of Scotch whiskey I sell through a Dublin wholesale merchant.

11172. I suppose you do not know its history?—I take it on good faith, and the character of the merchant from whom I buy.

11173. You ask for Scotch whiskey, and they sell you that?—Yes.

11174. You would not know whether it had been made in Ireland out of Scotch barley by the Scotch process, or whether it had been made in Scotland?—The characteristics of Scotch whiskey are different from the characteristics of Irish whiskey, and I would be able to distinguish that it was not Irish whiskey.

11175. We have had some evidence as to the fact that what is called Scotch whiskey may be made of Scotch materials in Ireland?—I do not think that is the case. I have no knowledge of it.

11176. What is your knowledge of the distinction between pot still whiskey and patent still whiskey?—It is the general belief of the public and the licensed trade in Ireland that Irish whiskey is the product of Irish malt and unmalted barley distilled in a pot still.

11177. You are aware, of course, that of late years a large proportion of whiskey is in the United Kingdom manufactured by the patent process?—Yes, I am aware of that.

11178. What is your idea of the superiority of the pot still product over the patent?—I am hardly in a position to go into the difference of quality or value of patent and pot still. I can only certify to the fact that the general public in Ireland, both the general body of the people and the trade in Ireland, hold that Irish whiskey is the product of Irish materials made in a pot still, and that anything that is not made in a pot still is not Irish whiskey. In my opinion, if the people who drink whiskey thought they were getting patent still whiskey or anything that did not come up to their idea of what Irish whiskey is, they would not take it.

11179. What are your grounds for saying that, in the opinion of the public, to make it Irish whiskey it must be manufactured by the pot still process?—I am stating what is the general opinion of the public.

11180. Could you give the grounds for that opinion? Do you find it in any writing—circulars of the trade, or anything of that kind?—You ask what are the grounds for the people forming that opinion?

11181. Yes. Can you say upon what that opinion is founded, and why it is that that opinion exists that Irish whiskey must be made by the pot still process?—Because the idea is that Irish whiskey was always made in a pot still, or by the pot still process in a pot still from pure ingredients, and the opinion of the people is, whether right or wrong, that patent still whiskey can be made from pure or impure materials.

11182. Is that what you mean? You qualify it by saying "whether right or wrong"?—Yes.

11183. That is the opinion?—Yes.

11184. And is this Irish whiskey, necessarily pot still according to that definition, drunk plain as a simple product, that is unmixed?—Is that in connection with the question of blending?

11185. I was leading up to that. Is any large quantity of it drunk according to your experience and knowledge as unblended spirit?—Large quantities of whiskey. I think the bulk of the whiskey drunk in Ireland is unblended. People now ask for whiskey of certain manufacturers, and they will insist on having that. In other cases there are on sale blended whiskies; some of them are pure and good. If they are the blend of noted Irish manufacturers, I believe they are pure and good. There are other blends which are blends of patent still and pot still. These the people do not consider pure, nor would the buyer consider them pure Irish whiskey.

11186. If your customers took simply a spirit, pot still on the one hand, and patent still on the other, the difference would be so marked that they would know it in a moment?—I do not know that their taste would be so acute.

11187. Do you know from experience if there is any marked difference between the pure pot and patent spirit—is there a stronger or a more pungent flavour?—In my opinion there is.

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11188. Therefore they could say: "I have been accustomed to pot still whiskey, and I want it"?—Yes.

11189. Now as to the blends. You know in Ireland there is a good deal of blended spirit sold?—Yes, I believe there is.

11190. Has that consumption and sale proceeded from the public taste—from a liking for the blended spirit?—I do not think it proceeded from the public taste. I think it proceeded from the desire on the part of the blender and the retailer to make a larger profit.

11191. I do not know whether you have personal knowledge, but what do you say as to the blending of pure pot still and pure patent still, and letting the blender try to find out the right proportion? Do you think the result objectionable or not?—There are some cases where it might not be objectionable. If the blend consists of whiskies of recognised manufacturers of Irish whiskies, a blend in that case might add to the bouquet or the flavour of the whiskey, but if the blend is of a pot still whiskey and a patent still whiskey, the result is considered to be deleterious and not what the people expect to get—not a genuine whiskey.

11192. Is it your view that a blend of pot and patent still under all conditions must be injurious?—I hardly have sufficient knowledge to give an answer in the affirmative without explaining.

11193. Is it your opinion that a blend of pure good pot still whiskey with a certain proportion of patent still must be under all conditions objectionable?—I believe it would.

11194. On what ground?—On this ground: that patent still whiskey is not as pure a product as pot still. There are certain cases in which it may be. If it is distilled from pure ingredients it may be as good. I have not the technical knowledge of distillation to know whether it would be as good, but it is well recognised that patent still whiskey can be made from anything containing alcohol, and is made from anything containing alcohol, in many cases from impure ingredients, that it may be made at a cost of something like 10d. a gallon, while pure pot still whiskey made from pure ingredients costs about 3s. 3d., and a blending of cheap spirit, costing 10d. to produce from impure materials, with a good spirit, is injurious to the one made from pure ingredients.

11195. That is not quite my question. My question assumed that the two spirits—one made from pot, and one made from patent—were equally made from good ingredients. Assuming that there is a blend of pot still whiskey made from sufficiently proper and unadulterated ingredients, and a patent still whiskey made under the like conditions, from proper and unadulterated ingredients, would the blends of those two whiskies be objectionable in any way?—I believe it would.

11196. Now will you tell us why?—Because the blend would be wrong, and as I have stated before, people believe, and the trade believe, that Irish whiskey is the produce of Irish products made in an Irish pot still, and to blend that product with the product of another system of distillation interferes, and in my opinion improperly interferes, with the character of the article which the people recognise as Irish whiskey—the article which they require.

11197. The result is that, according to you, all patent still whiskey is excommunicated. You will have nothing to do with it?—In my opinion if patent still whiskey is put on the market for sale it should be represented as what it is. It should be, in my opinion, described and sold as patent still spirit, and the word whiskey should not be applied to it.

11198. Would you tell me whether you have formed this opinion you have expressed because you think that frequently there are bad ingredients in the patent still whiskey or whether you have formed it on the ground that the process is wrong?—I think I have formed the opinion on both grounds, both that the materials are not good, and that the process of manufacture is not good either.

11199. Would you go to the ingredients first? Is there any reason why if a trader wished to make a greater profit he could not use bad materials in the pot still as well as in the patent still?—I do not think that by any process of manufacture or distillation the nature of bad materials can be altered. I apply the same remark to any article of food, say, butter. Inferior butter may be used, but in the manufacture it loses the nutritious qualities of butter.

11200. Is there any reason for saying that you cannot have bad materials in pot still as well as patent still whiskey? Is there any reason for saying that there is any greater difficulty in using bad materials in pot still than there is in the patent still process?—I daresay it is quite possible that some inferior article is used in pot still.

11201. What is the inferiority, if any, in the patent still process in relation to the pot still?—I have not sufficient knowledge of the process of manufacture to say.

11202. You are giving us this evidence simply as the general result of what you think people think? That is so, is it not?—I am giving you evidence of what the general opinion of the people of Ireland is, as far as I know, from 35 years' experience as to Irish whiskey, and what they regard as Irish whiskey.

11203. Have you knowledge yourself of the patent still distilleries that do exist in Ireland?—I have not.

11204. You do not deal with them, and know nothing of them?—No.

11205. (*Dr. Horace T. Brown.*) Would you go so far as to excommunicate all barley which is not grown in Ireland?—I would not excommunicate any sound materials. I am aware that large quantities of foreign barley are imported into Ireland. I understood it was mainly used in the breweries. I do not know to what extent it may be used in distilleries.

11206. That is what I was coming to. Your distillers do frequently import barley. I understood you to say you would not regard anything as Irish whiskey which was not made from barley and other materials of that kind actually grown in the country?—I have stated generally what is the opinion of the people with regard to the words Irish whiskey, and what they expect to get when they ask for Irish whiskey.

11207. They expect to get a product made from Irish materials, that is, from cereals grown in Ireland?—Yes. I might remark that several times within the last five years protests have been made in many parts of the country against importing foreign corn for the purpose of manufacturing whiskey.

11208. Is your statement quite correct that the Irish public does not know that patent still spirit is used for blending purposes?—I do not think the general public know anything about it.

11209. Is your knowledge confined to your district, Queen's county?—My practical knowledge of it is confined to that district.

11210. You are not conversant with the conditions of trade in the North of Ireland, say?—No, save from statements I heard from time to time that a great portion of spirit sold in some parts of the North of Ireland is patent still, but I am aware at the same time that there are very extensive pot still distilleries in Belfast and genuine Irish whiskey manufactured there.

11211. (*Dr. G. S. Buchanan.*) At your licensed houses you sell whiskey at different prices no doubt?—Yes.

11212. Can you tell me with regard to the cheapest of those whiskies what the price would be?—The cheapest would be 18s. per gallon retail.

11213. That would be 18s. per gallon cost to you?—No. 18s. sold to the public.

11214. Is that entirely pot still whiskey?—I buy it as such from the distiller.

11215. From the actual distillery at which it is made?—Yes. I have never bought patent still whiskey. My people would not buy it from me. That is to say, I have never bought it to my knowledge. I have never bought anything but pot still whiskey direct from the distiller.

11216. What would you say constituted the principal differences between the whiskies that you sell in the matter of price and value?—The whiskey I sell at the price I have quoted is the product of an Irish pot still distillery, made, I believe, as I have described, from Irish barley, and I buy that at three years old. I buy no whiskey under three years old, and I buy it from three years old to seven years old.

11217. I may take it that the cheapest whiskey is the youngest whiskey?—It is—the three years' old whiskey. I sell three, five, and seven-year-old whiskies.

11218. Do I understand that the sense in which you use the word "Blend" is always a blend of pot still whiskies? In your own trade you have blends?—There are sometimes blends of pot still whiskies. Jameson's, Cassidy's and Power's may be blended, and some do it. I am not aware of my own knowledge that it is done; I have heard of it.

11219. You do not yourself make any blends of pot still whiskies or sell blends?—No, I sell each manufac ture distinct on its own merits.

11220. You do not sell either a blend of pot still whiskies together or blends of pot and patent still whiskies?—No.

11221. Neither?—No, I do not, but it is quite possible that it might be done.

11222. (*Chairman.*) You do not do that knowingly; that is to say, you do not know of the blending?—No. I buy a whiskey of an age of a certain number of years, say, seven years' old whiskey, and I believe I am getting seven years' old whiskey. I must depend upon the character of the manufacture and the protection and guarantee of the date of bonding.

11223. (*Dr. Adeney.*) What is the retail price of your five-year-old whiskey?—5s. per quart.

11224. I mean duty paid?—Yes.

11225. What do you sell it to your customers at?—At 20s. a gallon

11226. And what is the price of the seven-year-old?—24s.

11227. So that you have 18s., 20s., and 24s.?—Yes.

11228. Do you know from your own personal knowledge anything of the Irish blending trade, by that I mean blending of pot still with patent still?—I do not know anything of my own knowledge. I believe it is done, and I believe it is a wrong on the public to have it done.

11229. Do you know anything of the Scotch blending trade?—I do not.

11230. You have heard a good deal about it, I daresay?—Yes.

11231. You are aware that the Scotch pot still distillers regard blending with patent still to a certain extent as legitimate and sometimes of value?—It is extraordinary what some people consider legitimate.

11232. You know Cork, of course?—I know Cork very well, but I do not know anything about the trade there.

11233. You do not know anything about the distilling trade there?—No, except, I believe, there are some excellent pot still distilleries in County Cork; Allman's, of Bandon, I think is the principal one. I believe there are others.

11234. I take it when you speak of the opinions of the people in Ireland, you refer to the reputation that Irish whiskey has gained from generation to generation in the past?—On that point I do not speak my own opinion. It is the opinion of the people in my county and people generally all over Ireland that I have come in contact with.

11235. Irish whiskey has been produced for so many years past that the people are justified in their belief in Irish whiskey, in your opinion?—I think so, and I think it is wrong to allow anything to interfere with the established character of Irish whiskey. I say whiskey is known and recognised as being a product from Irish materials, and, generally, that it receives a certain purity before it is put on the market. People complain that this new patent spirit is put on the market at a much lower price than genuine Irish whiskey, that it is sold to the public at the same price and as whiskey. Experts say this new spirit causes lunacy. It has a bad effect on the constitution, whereas drinking good Irish whiskey has not produced injurious effects.

11236. That, you think, has been established by long years of practice in moderate drinking?—Yes.

11237. (*Mr. J. Y. Buchanan.*) You said you do not think the Irish people from experience know anything about patent still whiskey?—They may have a hazy idea about it, but their idea about patent still whiskey is not at all favourable to the patent still; and, as I stated, if they knew it was being supplied they would not accept it.

11238. Not knowing anything really about the method, do you give that judgment any great value? If they said they would not have patent still whiskey when by your evidence you say they probably would not know the difference between one and the other, never having heard of it, is that of any value?—It is quite possible that the people get patent still whiskey both in its natural state and blended, but my point is that if people knew they were getting it they would object to having it.

11239. But they could not discover it for themselves from the taste?—Those persons used to drinking Irish whiskey and persons trading in whiskey would know the difference; but a large body of the people would not know.

The witness withdrew.

Mr. William C. Mitchell, called.

11240. (*Dr. Adeney.*) You are managing director of Messrs. Mitchell and Company, of Belfast?—Yes.

11241. You have branches in other towns, have you not?—Yes.

11242. Will you name those towns?—London, Glasgow and Dublin.

11243. How long have you been connected with that firm?—For the past 18 years.

11244. When was the business founded?—In 1871.

11245. You acted as secretary up to the time of your father's death in 1894, I believe?—Yes.

11246. And then became managing director?—Yes.

11247. What kind of business do Messrs. Mitchell and Company do?—We are whiskey blenders, and we also supply brandy, rum, gin and wine.

11248. Are you in any way connected with distilling? Are you distillers?—No.

11249. Is your turnover in whiskey a large one?—Yes, 500,000 gallons a year.

11250. Your business is largely an exporting one?—Yes.

11251. To all parts of the world, as well as to the United Kingdom?—Yes, to all parts of the world.

11252. Have you a large trade in Ireland?—We have a good trade in Ireland.

11253. Is that all over Ireland?—Yes, all over Ireland.

11254. Not particularly in the North of Ireland?—No, not particularly in the North of Ireland.

11255. Is your Irish trade a large trade in proportion to your English trade or Scotch trade?—It is about equal, in proportion to the population, to the English and Scotch trade.

11256. I do not want that, but as a matter of fact is your trade large in Ireland as compared with that in England?—It is much larger in England and Scotland than in Ireland.

11257. You could not describe yourselves as being one of the largest firms supplying Ireland?—No, not in supplying Ireland.

11258. What is your definition of whiskey?—I am not an expert on whiskey, but I understand it is alcohol mixed with water. That is practically all I know about whiskey. I am not a distiller, but I simply know the different kinds of whiskey, patent and pot, and I can tell the difference between the various pot and patent stills.

11259. You say whiskey is a mixture of alcohol and water. Does the difference between pot and patent simply depend on the different proportions of alcohol and water?—No, not necessarily.

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11260. In what does the value of whiskey lie, that is to say, the trade value?—The trade value lies in a mellow and nicely flavoured whiskey.

11261. Does that depend upon the alcohol or upon the water?—I take it partially upon the water.

11262. Let us be quite certain we understand one another. Are you referring to the water used in the process of manufacture, or simply to the water used to dilute the article?—To the water used to dilute the article.

11263. Besides dilution, the water gives a valuable flavour to the article?—No, I should not say that it was a valuable flavour.

11264. What I want you to tell me as a tradesman is wherein you consider lies the value of whiskey for which you get a price in the market?—It depends greatly on the mellowness and flavour of the whiskey.

11265. To what is that due?—It is due to the process of manufacture.

11266. To something else besides alcohol and water?—Yes.

11267. Your definition of whiskey is a little open, is it not?—It may be.

11268. May I take it then that the value of the whiskey is due to its flavour?—Yes, to its flavour.

11269. And that flavour is due to the process of manufacture?—Yes.

11270. Is there anything in the question of age? Is that a constituent factor?—The age is a factor.

11271. To that extent then the process of manufacture is of importance?—Yes.

11272. Do you regard the patent still process of the same value, or smaller value than the pot still for obtaining flavour?—I think the patent still produces a whiskey with a strong flavour. It can be produced, I understand, with a strong flavour or not.

11273. Will you kindly let us know from your own experience, because it seems to me that you have had very considerable experience and can give us information from that experience? Is the patent still spirit from your own knowledge of equal value to the pot still so far as flavour goes?—No, not quite, but it has a distinct flavour, and the pot still has not.

11274. The pot still can fetch a considerably higher price than patent still, age for age, in the market, can it not?—Yes, owing to the expensive process of manufacture.

11275. That must be in the end the reason?—I should say so.

11276. Why do you buy pot still?—I buy it for flavouring purposes.

11277. Therefore the flavour is of value?—It is not absolutely necessary for flavouring.

11278. I do not know that I quite follow you?—It is not necessary to mix the pot still with patent still to give it a flavour.

11279. To give the patent still a flavour?—Yes. The patent still has a flavour of its own.

11280. Do you sell much patent still whiskey?—Yes.

11281. Is it in a large proportion to the blend that you sell?—No.

11282. Is the blend in larger proportion?—Yes.

11283. To what do you ascribe that?—I ascribe that to the taste of the general public who prefer a light whiskey to a heavy one.

11284. Is that blend sold at a higher price than the patent?—Yes, it is.

11285. So that it has a higher money value?—Yes, it has a higher money value, because we have to pay more for the pot still.

11286. Do you personally know the tastes of Scotch patent still spirit and Irish patent still spirit and English patent still spirit?—No, but I can tell the difference between Irish patent still spirit.

11287. The difference between that and what?—The difference in flavour.

11288. But what are you comparing it with?—I cannot compare it with English or Scotch because I do not know them. I do not know English or Scotch patent still whiskies. I have never had any business with them, and I do not know anything about them.

11289. With what do you compare Irish patent still whiskey—with the pot still?—I do not quite understand your question.

11290. I asked you just now did you know personally the difference in flavour between English, Irish, and Scotch patent still spirit?—I do not know the English and Scotch patent still spirit, and I could not say. I have never compared the two.

11291. All you can say is that the Irish patent still spirit differs very markedly from the Irish pot still spirit?—Yes.

11292. Do you sell much pot still spirit?—Yes.

11293. Is that large in proportion to the patent still spirit?—No, much smaller.

11294. I mean as a self whiskey?—As a self whiskey we tried to push it but failed to do any good.

11295. But as compared with the patent still whiskey as a self whiskey?—We sell very little patent still whiskey as a self whiskey.

11296. So that practically your business is confined to a blend?—Yes.

11297. And the value of that depends upon its flavour?—Yes.

11298. Have you different qualities of blends?—Yes.

11299. Would you mind revealing to us the proportion of grain spirit in your poorest quality? I do not press for an answer if you would rather not give it?—I would rather not.

11300. Would you mind telling us the proportion of grain spirit in your best quality?—We sell the pure pot with all proportions.

11301. Do you mind naming the highest proportion?—Pure pot still.

11302. And in the blend?—Ninety per cent. of pot still, 80 per cent. of pot still, and 70 per cent. of pot still.

11303. Are your best quality of blends less expensive than the pure pot still?—Not necessarily.

11304. Do you find, as a matter of fact, that you have an easier sale for your blends than for the pot still?—Yes, we have a much easier sale for our blends.

11305. Now, as to the use of the word "Whiskey." Would you give the term "Irish whiskey" to patent still spirit by itself?—I would if made in Ireland.

11306. What do you regard as the dominant character of the spirit that you export to England and abroad—its flavour, you told me?—Yes.

11307. But you do not export much patent still spirit, do you?—Very little patent still spirit.

11308. If a customer abroad asked you for Irish whiskey would you supply patent still spirit by itself?—No. We should give him a blend.

11309. Why not? You call it Irish whiskey?—It depends largely on what we understand the market requires.

11310. The foreign market?—The foreign markets are very similar to the English market, they like a slightly flavoured whiskey.

11311. Which they can only get through blending with the pot still?—No, not necessarily.

11312. But you told me you would not sell the patent still as "Irish whiskey" to them?—The Irish whiskey we always blend, for no particular reason really. It has been a custom in our business from the start to blend it, and we always blend it, but I see no reason why we should not sell them pure patent still.

11313. Would you be prepared to do it from this moment?—I would rather not say. I see no reason why it should not be done. Patent still whiskey has a distinct flavour of whiskey.

11314. But supposing an English producer of patent still spirit produced a spirit indistinguishable from the Irish patent still spirit and chose to export that amongst your customers abroad as "Irish whiskey," what would you say?—I should say it was not Irish whiskey.

11315. On what ground?—On the ground that it was not made in Ireland from Irish water.

11316. Your idea of Irish whiskey is simply a geographical one?—Yes, and the climatic influence.

11317. You do not think the reputation of Irish pot still whiskey and the prestige of that whiskey is worth

protecting in any way?—I feel that pot still whiskey made in Ireland is Irish whiskey, the same as Scotch.

11318. Would you suggest any classification of whiskies—would you require them to be named as Irish pot still whiskey and as Irish patent still whiskey, or Irish blended whiskey?—I see no reason to classify them. I think it is all Irish whiskey if made in Ireland.

11319. From the geographical point of view, but you have left my mind in a state of doubt as to how you would protect the reputation of Irish whiskey, which I gather has been built up on the pot still product?—Not necessarily on the pot still product.

11320. But as a matter of fact it has been?—I did not understand that that was so. I never understood that Irish pot still whiskey had built up the reputation of Irish whiskey. I think not.

11321. Then what has?—I think the blended whiskey has built up the reputation of Irish whiskey.

11322. What is the necessary ingredient in blended whiskey?—Patent still whiskey I think it has a strong flavour of whiskey.

11323. Why blend it at all if it has such a flavour?—It is not necessary to blend it. I have no doubt a merchant could now build up his reputation on patent still whiskey alone. Thirty years ago we happened to blend it, and we have blended it ever since.

11324. But inasmuch as the patent still spirit is so much cheaper than pot still I am surprised that it has not been tried if you think it could be done?—I have no doubt it has been done.

11325. But has it succeeded?—I would not be surprised if it had succeeded.

11326. All the evidence that has been given before us is the same that you have given us, namely, that you sell very little patent still as self whiskey?—The reason for that is because nobody has ever tried the patent still alone, but I have no doubt that it could be.

11327. It has been tried a good deal in Scotland?—Has it?

11328. Yes, but there again the blend is the favourite?—There is Cambus. I think Cambus has not had time to work its reputation up. I think it is only a matter of time when it will.

11329. You look forward to the time when the pot still whiskies may be given up altogether?—I would not like to say. I do not know what the result will be.

11330. You employ patent still spirits made in different parts of Ireland, I believe?—Yes.

11331. Do you know the Cork patent still spirit?—I have seen it.

11332. Can you distinguish it from the Dundalk?—Certainly.

11333. It has a distinctive flavour?—Yes, it has a distinctive flavour.

11334. And all these patent still spirits improve on maturing in casks?—I think so.

11335. What is the minimum age of the patent still spirit that you sell? Again, do not answer if you would rather not?—I would rather not.

11336. The blending of Irish whiskies has been going on in Belfast for a considerable number of years past?—I understand Messrs. Dunville have blended for over 100 years.

11337. Now with regard to the materials. Would you restrict the materials in any way in the use of the patent still process?—I would restrict them to grain only.

11338. And the process of saccharification effected by malt?—I do not understand that.

11339. You would restrict them to grain?—I understand that patent still whiskey is made from grain only.

11340. I see you have given in your *précis* reasons for the popularity of Irish blended whiskey. Would you mind giving us those reasons, because it would be well to have them on the minutes of evidence?—Yes. (1) A blend that combines various flavours is as a rule more mellow and palatable than any single distillery whiskey. (2) It is doubtful if any single distillery's whiskey can be maintained at such a uniform character as blended whiskies. (3) By blending, a greater variety of whiskies can be produced, ranging from the cheapest to the most expensive. (4) No distillery in Ireland produces a whiskey resembling the blends (in style and mellow flavour) which are sold over the United Kingdom in still increasing quantities over the pot still. (5) The operation of blending is of great benefit to the whiskey, whether patent or pot still, on account of the atmospheric influences and the benefit of the mixing and rousing which undoubtedly assists the maturing of the whiskey. Foreign and British spirits cannot be blended in bond for home consumption, but can be blended for export when the word "mixed" is stencilled on the cask, though I believe this is rarely done, and speaking for our own company—never. (6) Some of the pot still Irish and malt Scotch whiskies could not possibly be drunk by the general public, I believe, with any pleasure, as they are too heavy to be drunk as self whiskies and require first to be blended with patent still whiskey, and such blends give as much flavour or more than many of the silent pot whiskies.

11341. I gather from you that your opinion is that blending is a perfectly legitimate and wholesome practice?—Yes.

11342. And it is not done solely to cheapen the prices?—That is so—it is not done solely to cheapen the prices.

11343. What is your opinion as to the compulsory bonding of whiskies?—I believe that compulsory bonding for one or two years would serve no useful purpose, as to the best of my knowledge it has never been proved that patent whiskey even new is injurious to the public health. At present it is the custom of the blending trade to use pot still of at least three to five years of age with the patent, but it is not considered necessary to keep the patent an equal length of time in order to arrive at the same degree of maturity. Another reason is that I think compulsory bonding would be likely to have the effect of compelling merchants to use very much newer and cheaper pot still, as with compulsory bonding for say two years, where a merchant is at present selling a blend in which the patent still whiskey is under that age, in order to keep his price the same, it will be necessary for him to reduce the quality or age of the pot still used, which would be to the detriment of the consumer, and it would tend, as it were, to put a hall mark on all whiskies two years old, whereas some of the heavy pot stills are not considered drinkable until they are about four or five years old. Again the necessity of building new bonded stores, and the additional capital required, would be a very great hardship to blenders and traders, more especially at the present time when the consumption of whiskey is going down, as shown by the Revenue returns. If it is considered necessary to keep whiskey in bond for two years, other spirits such as brandy, rum, and gin, should also be kept in bond for a similar period, otherwise it would be a great handicap to the blenders and distillers. The extra expense to the Government and the trade would be considerable without any benefit, I believe, to the public.

11344. I see you are also adverse to standardisation of whiskey?—Yes.

11345. Now a question as to labelling of whiskey. Would you have any objection to labelling a mixture of patent and pot still as a blended Irish whiskey?—With regard to the labelling of whiskey, there might be no objection to this provided the proportions were not insisted upon.

11346. Would you have any objection to putting on a patent still whiskey by itself, "Irish patent still whiskey," and, similarly, "Irish pot still whiskey"? Would you have any objection to such distinctive labels for the information of the public?—No, I would have no objection.

11347. (*Mr. Guillemard.*) I see in your *précis* that you would not be in favour of the standardisation of whiskey by reference to its chemical constituents. I understand that is your view?—Yes.

11348. What is your reason for that view? Has anything happened in your experience that suggests that view? You suggest that it would result in fraud?—Yes.

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11349. Have you had any experience that bears out that view?—No, no experience.

11350. You say in your *précis* that you have had a number of circulars and samples submitted to you?—You mean with regard to brandy?

11351. Yes. What is your view? What happens?—With regard to brandy I understood for many years that it was not possible to buy pure grape brandy under 4s. 6d. to 5s. Since the pure grape brandy case and other prosecutions, I was immediately circularised by several firms in France offering pure grape brandy at 2s. 10d. I had never seen samples before similar, and I did not understand that it was possible to produce pure grape brandy at such a price. I have a sample here at the present moment, which has been offered to me at 2s. 10d.

11352. Have you tried it? Is it satisfactory from a potable point of view?—No, I should say not.

11353. Are you in a position to say whether it does conform to the required chemical standard?—I am not, except that I have a guarantee on my invoice, "Ethers over 100. Guaranteed pure grape, 2s. 10d. per gallon."

11354. You have not had it tested for yourself?—No, I have not.

11355. (*Dr. Cushny.*) Would you mind telling us the relative prices of those different blends? At what price do you sell your blend with 90 per cent. of pot still?—We sell it at 6s. 6d. per gallon.

11356. And what is the price of your cheapest blend?—We sell it down to 2s. 6d. per gallon.

11357. Would that depend entirely on the amount of pot still whiskey in it?—It varies according to the blend.

11358. Would it depend on the amount of pot still whiskey?—Practically the amount of pot still whiskey, or the age of the patent still, or the age of the pot still.

11359. Why do you suppose that people want to pay 6s. 6d. a gallon for it when they can get a whiskey for 2s. 6d.?—The whiskey at 2s. 6d. is naturally of a much less age than the whiskey at 6s. 6d.

11360. What is it that makes the difference in the values of the 6s. 6d. and the 2s. 6d.?—The mellowness and the maturity of the whiskey, and the flavour.

11361. Is one willing to pay nearly three times as much for a good flavoured whiskey?—Not necessarily the flavour, but the mildness and the mellowness of the whiskey.

11362. Do you not think that the pot still constitutents are more important—the foundation?—It is an important part, of course.

11363. Do you not think it would be fair to distinguish it by some distinguishing label as regards the amount of pot still?—I think it might be, but I think it would be leaving it very much open to the honesty of the dealer in whiskey.

11364. (*Chairman.*) The label on what?

(*Dr. Cushny.*) The label on the bottle?—How are we going to handle the bulk whiskey, which is the greatest trade of all in England?

11365. You agree it is not right and fair that two products varying so much should be labelled in the same way?—Yes.

11366. (*Chairman.*) You do not want them labelled in the same way? If they are labelled at all they ought to be labelled according to the truth?—Yes, labelled according to the truth if labelled at all.

11367. (*Mr. J. Y. Buchanan.*) In your trade do you understand by the word "whiskey" anything—either Irish or Scotch whiskey, whether made in a patent still or pot still?—Yes.

11368. You think that neither pot still nor patent still has a preferential right to the word?—I do.

11369. And you consider that it covers both?—It covers both.

11370. And if anybody speaks to you about whiskey you do not know, unless you know the history of the man, whether he really means patent still whiskey, or pot still whiskey, or a blend?—No.

11371. He has to furnish that information to you?—Yes, he has to furnish that information to me.

11372. We have had evidence that there is a very large amount of patent still whiskey made in Ireland?—Yes.

11373. And principally in the North, is it not?—Principally in the North, and in Dublin and in Cork.

11374. That is all sold as whiskey?—Yes, all sold as whiskey.

11375. Now is the amount of patent still whiskey that is made in Ireland increasing?—That I could not say. I do not know.

11376. Would you say in looking to the development of the trade in the production of whiskey that the pot still whiskey was increasing in its production?—I should say not.

11377. In your opinion would you say that patent still whiskey is probably more increasing than pot still whiskey?—I should say that the patent still whiskey is holding its own.

11378. And the pot still whiskey you think is going back?—I should not say that.

11379. You do not know?—No.

11380. The patent still whiskey is used very largely in all the whiskies that you send out?—In all the whiskies we sell.

11381. Supposing you or someone wanted to get a whiskey at a given price—you say you sell from 2s. 6d. up to 6s. 6d.—supposing that person wanted a whiskey at 3s. 6d., and the best he could get for the money, what kind of blend would you furnish him with?—I would furnish him with a good proportion of pot still, and with some age.

11382. But your pot still that you put into the 3s. 6d. whiskey could not have the same age as the 6s 6d.?—No. I would put in pot still at least three years old—nothing less.

11383. And as to the patent still, what kind of age?—The patent still would be a year or eighteen months.

11384. He would get a fairly mellow whiskey?—He would get a palatable whiskey.

11385. So that to a consumer getting a good article for his money patent still is the more valuable?—The patent still is the more valuable.

11386. And, therefore, it is the whiskey that it is most important to protect if we are going to protect either?—I should say so.

11387. (*Dr. G. S. Buchanan.*) I did not quite follow you with regard to brandy. When you had samples of brandy offered you with a guarantee as to ethers, that was at a price of 2s. 10d.?—Yes.

11388. What was the custom of your trade in buying brandy before? Used you to buy brandy that was guaranteed as entirely produced from the grape?—We bought brandy that was not guaranteed.

11389. 2s. 10d. was not an unusual price for brandy which was not guaranteed?—It was unusual to me. I had never come across it before.

11390. (*Dr. Adeney.*) That is French brandy?—Yes.

11391. (*Chairman.*) That would be a low price?—Yes.

11392. (*Dr. G. S. Buchanan.*) What would be the usual price for a cheap brandy?—4s. 6d. a gallon.

11393. A cheap brandy not guaranteed to be the product of the grape?—Until that case came on nothing was ever guaranteed.

11394. I understand that?—And the agents never mentioned whether it was made from the pure grape or not. They sold me what I considered to be brandy, which, in my opinion, is a much better brandy than I can buy now.

11395. I follow that. My difficulty was in understanding whether up to this time you had never dealt with any brandy, or never had been asked to deal with any brandy as low as 2s. 10d.?—Never.

11396. Do you now receive any guarantee with your brandy as regards its derivation from the grape?—Yes. I have a guarantee here with the 2s. 10d. brandy which says, "Ethers over 100. Guaranteed pure grape."

11397. (*Dr. Adeney.*) Does that mean all the alcohol is from the grape?—I cannot tell you. It is guaranteed "pure grape."

11398. (*Dr. G. S. Buchanan.*) You do not buy that brandy?—No. I have samples of it.

11399. But in the brandy you do buy, do you receive any guarantee to which you attach real importance as being *bonâ fide* that the brandy is the product of the grape?—My reason for asking for a guarantee at all is to protect myself. In case I get a law suit I can apply to these people to protect me. That is my only reason for getting a guarantee.

11400. You get no guarantee that is supplied by any association, or by any Government authority in France?—No.

11401. With regard to whiskey, I gather you supply publicans in England very largely, do you not—that is to say the public-house trade?—Yes.

11402. You supply them with Irish whiskey?—Yes.

11403. And supply them in many cases to price? You are asked to supply Irish whiskey at a particular price?—Yes, at a particular price. That is what we are asked for particularly. We get samples to match and we get the order if we can match them, but if we cannot match them we do not get the order.

11404. Are your customers in many cases the Brewery Companies?—Very few.

11405. We had some evidence in the very earliest part of our proceedings about Irish whiskey, in the case you refer to in your *précis*, that of Mr. Wells. Mr. Wells in Islington sold as Irish whiskey a spirit that consisted of 90 per cent. of new patent still spirit five or six months old, and 10 per cent. of pot still spirit: it was 25 under-proof, it cost duty paid 10s. 4d. a gallon, and it was sold as Irish whiskey at 18s. 8d. a gallon. Would I be right in concluding from what you have told us that you regard that as a perfectly proper description of Irish whiskey:—it was made in Ireland?—Yes, I would call it Irish whiskey.

11406. That it was a satisfactory Irish whiskey, and that it was properly so called?—Yes.

11407. You were asked a question with regard to giving notices. In another of these cases the whiskey was under the spirit limit allowed in the matter of water, and notices were given that it was so diluted. It is common enough, is it not, to put up notices in public-houses that the spirits sold are below the legitimate strength?—Yes, I understand that—below the legitimate strength.

11408. If a publican can do that, is there any reason why he could not put up a notice saying what the whiskey is sold as?—I see no reason.

11409. You raised the point yourself that there was a difficulty, that whereas on the bottle you could put a label stating what the liquor was, you could not do it in the case of bulk whiskey?—The point I raise is as to bulk whiskey, which is the biggest quantity of whiskey sold in England.

11410. At the present time it is the practice for the publican to make some statement with regard to his whiskey when it is to his advantage by means either of label or of exhibited notices?—Yes.

11411. Do you think Irish whiskey like Mr. Wells' whiskey, is what people abroad should accept as Irish whiskey without any notice? Do you think it is desirable in the interests of the Irish trade to send whiskey of that kind abroad as Irish whiskey?—I see no harm in sending it abroad as Irish whiskey.

11412. Do you have to make any declaration in connection with the export of your Irish whiskey?—Yes, I have in exporting to Australia.

11413. You could not send whiskey like that I have been speaking of to Australia?—Yes, as long as it is over two years old.

11414. But this was not two years old. This was a new grain spirit?—Yes, so I understand.

11415. I do not quite understand what reason you had for thinking that it would be difficult for the patent still whiskey to be kept for two years in bond. Taking your own whiskies, who would suffer by it?—I should think we would suffer considerably.

11416. You would lose your trade for new grain spirit?—No, we would sell the two year old, but we would require a greater additional capital, we would be practically in the hands of the distiller, who would bond first and charge us accordingly. We could not possibly sell whiskey at the price that we sell it at at the present time. A number of small blenders would be, I should think, completely wiped out if they had to find the additional capital, which it is almost impossible to do in the present state of the trade.

11417. (*Dr Adeney.*) Do you mean to say the blenders would suffer and the distillers not?—I certainly think the blenders would suffer.

11418. (*Dr. G. S. Buchanan.*) I still find that a little difficult to understand. What would be the difference in price to the blender in purchasing a two years old patent still whiskey as against a six months old?—It would depend on the price the distiller asked. Most of the small firms in Belfast, which I practically represent, would not stand the extra strain of paying the warehouse storage and 5 per cent. additional for his holding the whiskey.

11419. I am afraid I still do not understand. Surely the blender purchases his patent still whiskey at a price before he blends, does he not?—Yes.

11420. The only difference it is going to make to him is the difference in price between buying it new and buying it after it is two years old?—Yes, which would be a large increase.

11421. (*Dr. Horace T. Brown.*) Do you agree with the last witness that the Irish public would not take whiskey if they knew that it was the product of the patent still?—No, I do not.

11422. Do you think the general public in Ireland know the difference between patent and pot whiskies?—I could not say.

11423. Do they know that the patent still spirit enters into the composition of whiskies?—Distinctly they do.

11424. (*Dr. Adeney.*) Would not that vary a good deal with the part of the country?—Yes, it would.

11425. (*Dr. Horace T. Brown.*) Is your experience only with regard to the North of Ireland?—No. We have eight travellers all over Ireland.

11426. What is your opinion with regard to the patent still whiskey that is drunk in Ireland, speaking generally?—It greatly depends on the district. In the Dublin district, and in the South of Ireland, they have been brought up to use the well known make which Dublin is famous for. Down in Cork nothing but a particular brand is drunk, and in Waterford it is the same. Where there is a particular local distillery they seem all to cluster round it and drink its particular whiskey.

11427. Does the ordinary consumer know that there is patent still whiskey in most whiskey that he drinks?—I think so, distinctly.

11428. And he does not resent that?—I think not.

11429. You have told us your firm since its foundation in 1871 has invoiced the product of the patent still as whiskey?—Yes.

11430. Do you happen to have with you any invoices which you can show the Commission bearing on this point?—No, I have not.

11431. Has it been described in the invoices merely as whiskey or as grain whiskey?—Both as whiskey and as grain whiskey—sometimes one and sometimes the other.

11431*a*. And that applies to the patent still product alone as well as to the blend?—Yes, to the patent still product alone. I have never bought blended whiskey.

11432. With regard to the suggested classification of whiskey in your *précis*, how would you describe the ordinary Irish pot still whiskey? Would you simply describe it as Irish whiskey or as Irish pot still grain whiskey? What would be your suggestion with regard to it? I am assuming now that it is a whiskey made by the ordinary Irish mash of malted and unmalted grain?—I should call it Irish pot still whiskey.

11433. Without stating that it is a grain whiskey?

11434. (*Dr. Adeney.*) It never is called grain whiskey?—No, it is never called grain whiskey.

11435. (*Dr. Horace T. Brown.*) Not a pot still grain whiskey?—No.

11436. I am only assuming that some classification is made of that sort. I want to know what your idea is of the description of ordinary Irish whiskey?—Then there are the whiskies of the pure malt distilleries of which we have three in the North of Ireland. They will have to be described too.

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11437. How would you describe them? Would you describe them as "pot still malt whiskey"?—Yes.

11438. And the other as what?—As "Irish pot still."

11439. Without the interpolation of the word "grain"?—The word "grain" would come in if it was properly put upon the bottle.

11440. (*Chairman.*) I want to clear up some evidence you gave to Dr. Cushny about labelling, and I want to trace the transactions. The first trade transaction is between the distiller and the wholesale merchant?—Yes, that is so.

11441. The distiller would deliver to the merchant so much whiskey?—Yes.

11442. Is that in cask?—In cask.

11443. Those two persons are persons of business habits and with intelligence?—Yes.

11444. Do you think it necessary that there should be any compulsory labelling between those two parties?—I do not think so.

11445. Do you believe that both are capable of looking after their own interests?—I think they are both capable of looking after themselves.

11446. And I suppose invoices are sent in?—Yes.

11447. In the ordinary course of trade would the merchant expect to find in the invoices some description of the whiskey?—That I would not say. I do not know.

11448. What would the invoice state as a general rule?—"Plain British spirits."

11449. And the price, of course?—Yes, the price and a guarantee that it is made from grain, and that no acids have been used.

11450. I suppose the course of business brings to the mind of the merchant what he is receiving?—Yes.

11451. Would that be sufficient protection between those two?—Yes.

11452. May I bring you within the designation of the wholesale merchant?—Yes.

11453. You have your whiskey?—Yes.

11454. With whom do you deal?—I deal direct with the publican.

11455. Do you sell to him in cask or bottle?—Both bottle and cask.

11456. In sending to him, in the first instance you receive an order from him?—Yes.

11457. Which, I need not say, you fulfil?—Yes.

11458. You send to him an invoice?—Yes, I send to him an invoice.

11459. Does that invoice show that you have fulfilled his order?—Yes.

11460. What label would be of use as between you and the publican in the interest of the public and in your interest? Would it be of any use?—I suppose it would.

11461. What is the label?—Of course, we label all our bottled whiskey as "old Irish whiskey."

11462. How does that carry you beyond your invoice as between you and the publican?—It does not.

11463. Then what is the use of it?—We must invoice it as something.

11464. You have your invoice. You have told us you have sent an invoice in. What is the use of your label beyond the invoice?—The label is the description of what is in it.

11465. The publican has your description in the invoice?—Yes.

11466. Then what is the use of the label?—Are you speaking of the bottled whiskey.

11467. Either—you said you sell to the publican in bottle and in cask. If you in your invoice have told the publican what you are sending him, what is the use of stating it if it is in the invoice?—There is no necessity for repeating it.

11468. What could practically be the use?—I do not think there is any use.

11469. Now we come to what is material. The publican has got this whiskey, he has got his invoice and knows what he has got. Is that so?—Yes.

11470. Then he has to sell to the public?—Yes.

11471. The public does not know what the publican has got in his invoice?—No.

11472. Now we come to the amount of information that the publican should give to the customer. Is not that so?—Yes.

11473. Suppose a man goes into a public-house and says: "I want a glass of whiskey," the publican would take that from a bottle, or some machine in which the whiskey is held?—Yes, or a cask.

11474. Would the customer necessarily see the bottle?—Not necessarily.

11475. If the label is on the bottle and not shown to the customer it becomes of no use?—Of no use.

11476. Then I suppose in order to make it of use there must be some legislation to see that the publican should have the label on the bottle, and that he should show the bottle to the customer?—Yes, I presume if you wanted to give the public any information that would be necessary.

11477. I do not see myself how else it is possible. A statement by word of mouth is not sufficient, but if the customer does not see the label what is the use of the label?—No use.

11478. Then it amounts to representation in the writing on the label as distinguished from word of mouth what the article is. That is what I understand?—Yes.

11479. Do you recommend that should be made compulsory or not?—I think not.

11480. Why not?—I think that it would more or less mislead the public.

11481. I do not quite follow that. Why?—The reason is that much depends, of course, on the grade of whiskey used. Supposing I had on my bottle: "Pure pot still whiskey," it may be only new pot still whiskey of the very worst possible manufacture.

11482. In the first place you must act on the honesty of the person selling?—Yes, on the honesty of the seller.

11483. Supposing he wishes to do his best. What is he to put on this label? First you have to register pot or patent. Is that so?—Yes.

11484. Or it may be Scotch or Irish. Would the fact of his labelling it: "This is pot whiskey," or "This is patent whiskey," be any protection against the fraud of the seller?—I did not understand that there was any fraud.

11485. But I ask you to assume that it is protective against fraud. If he said: "This is pot whiskey," or "This is patent whiskey," the whiskey that is labelled "pot whiskey" may be very bad and very cheap pot whiskey, and the patent whiskey may be very good and dear patent whiskey. Where would be the protection?—I say that there would be no protection.

11486. Under such circumstances?—Under such circumstances.

11487. How far would you go in making the publican label the price of the whiskey to be charged by him or its age? Is that reasonable?—I think I should go more by age than anything else.

11488. I do not suppose you know the view of the ordinary customer of a public-house, but would it bring it to his mind whether whiskey had been four years in bond, or five years in bond?—I do not think it would. I really do not think they take a great interest in it.

11489. I think you will agree that it is an evil that a publican who has paid a very cheap price should come in with those who pay a very high price, and sell at the same price cheap whiskey as if it were dear? If you could prevent that you would be happy to do so?—I think it would be a proper thing to do.

11490. Can you suggest any means by which a man could be made to disclose what he has given for the article he sells?—I cannot. I have thought of it for some weeks and I can see no way.

11491. It would be desirable in your view if it could be done?—Yes.

11492. How would you deal with a blend? What label could be invented that could tell an ordinary mind what the blend was?—I could not say. I do not know.

11493. Supposing a blend was 80 per cent. of patent and 20 per cent. of pot, would you say so many years in bond?—My blend of 80 per cent. patent is ten years old, and the 20 per cent. of pot is ten years old, and on the other side of the shelf there may be a rival selling 80 per cent. of patent of two years old, and 20 per cent. of pot two years old, and they are of the same value on the label.

11494. I want some information with regard to giving protection if we can. You do not seem able to help us with any information that could be given to help the consumer by means of labelling?—I see no way that it is possible to do it, because the bulk whiskey comes in and the publican draws it from a tap in a cask.

11495. To be any protection it must be compulsory on him to show the label on the bottle?—Yes.

The witness withdrew.

Mr. John Jamieson Blanche, called.

11496. (*Mr. Guillemard.*) I believe you are sole partner in the firm of Messrs. J. J. Blanche and Company, whiskey blenders, of 69, Waterloo Street, Glasgow?—That is so.

11497. You are also sole proprietor of the Glen Elgin-Glenlivet Distillery, Elgin?—Yes.

11498. That, I believe, is a pot still distillery?—Yes, a pot still distillery—Highland malt.

11499. Though you are the proprietor of a Highland malt distillery you come before the Commission as an independent witness, and not as the nominee of any federation or clique?—That is so.

11500. It is made quite clear in your *précis* that your mind on whiskey is rather catholic than particular?—That is so.

11501. You propose to give to the Commission the benefit of your experience. How long have you been dealing with Scotch whiskey?—I have been in the trade for thirty-one years. I have been in business on my own account since 1881. For a large portion of that time I was a retailer—a wine merchant.

11502. That gave you an opportunity of ascertaining the view of the ordinary man in the street?—That is so.

11503. Do you sell direct to the public?—I sold then direct to the public.

11504. What has been the course of your experience? I see in your *précis* you state that in 1884 you took up the idea that you would sell nothing but pure malt whiskies?—Doing a family business as I did, and wishing to put before my customers the best article possible, I naturally inferred that pot still whiskey, being the dearer of the two, was the better. I started with that assumption. With that view I put on pure pot still whiskey, the best I could buy, and the results were not satisfactory.

11505. What conclusion did you draw from that? Did you modify your action?—I had to, or my business would have left me. I found that people leading an indoor life did not want a self whiskey, that it did not agree with them, and in fact they used to tell me that the objection to my whiskey was that they had a bad head in the morning—it was too heavy.

11506. You knew it was good whiskey?—I knew it was the very best whiskey.

11507. You came to the conclusion that the lighter whiskey was making headway?—That is so.

11508. Then you turned your attention to the grain spirit?—Grain and Lowland malts.

11509. With regard to them do you think that they are lighter, or that they are probably more wholesome spirit?—They are more wholesome—I mean, of course, we must blend them with a certain amount of Highland whiskey to give a flavour.

11510. The result of your experience was to go away from selling pot still only, and to move in the direction of selling patent still, either pure or blended?—I have never sold patent still pure unless as a dealer selling to a trader who was going to blend again.

11511. You moved in the direction of a blend?—Yes.

11512. Perhaps on this you would give us some idea of how you would describe whiskey by reference to its history?—The word "whiskey" has nothing whatever to do with either grain or malt, or with pot still or patent still spirit.

11513. I mean in its derivation?—Its derivation is from the Gaelic word "Uisque," or "Uisque-beatha," which means water of life.

11514. Can you quote any definition of what whiskey is?—I endorse what Dr. Annandale says, that whiskey is a spirit distilled from barley, wheat, oats, and other grains, potatoes, beet, and other roots.

11515. Potatoes, beet, and other roots?—Yes.

11516. When Dr. Annandale includes them among the materials from which whiskey is made, do you take it he is speaking historically, or that he is expressing the opinion that those are suitable ingredients?—It would be difficult for me to say whether he was speaking historically or not.

11517. When you quote him, in which sense do you quote him?—I quote him in the sense that I think whiskey is a term that ought to be left open, because somehow or other I look forward to a time when probably we may use other materials equally satisfactory from which to make spirit.

11518. Do you think that at present potatoes, beet or other roots are suitable, or do you only wish to keep the matter open so that they could be used in the future if, as I might say, science developed on those lines?—At the present moment I do not think they are suitable, but I am looking at it from the point of view of the machinery that we have for making spirit at the present moment. If it were found that those fruits, or vegetables, or whatever they are, would make good whiskey, I am afraid it would require somewhat different plant than what we have at the present moment.

11519. Given a change in plant and methods, you think it possible that other materials might come in in the future which are not suitable now?—I do.

11520. And you attach importance to not excluding them at present?—That is so.

11521. You think there is no risk at the present time. You said that at present you do not think those materials are suitable. Have you any reason to think at the present time there is any risk that whiskey in Scotland is made from bad materials?—None whatever.

11522. Is your experience that distillers compete with one another in getting the best materials?—That is so. I have had the unique experience of having been in every distillery in Scotland. I have seen all the materials in all stages of manufacture, and I know they are perfectly wholesome and sound.

11523. And from a monetary point of view would you say it paid to get the best materials?—It does. We get it in increased extract.

11524. Looking to the history of the word "whiskey," perhaps your evidence might be summed up by saying this, that it was originally spirit distilled from malted barley in a pot still, but that by evolution it has become a generic term, and has become applicable to spirit distilled from other materials by other processes?—Yes, I do.

11525. We might accept that as summing up your view?—Yes.

11526. Generally the result of your experience is that you have become a strong convert to the blending of whiskies?—That is so.

11527. Perhaps you would tell the Commission what the extent of your blending business has been?—From the 1st January, 1906, down to the 1st June, I blended 272,300 gallons of whiskey, taking those on an average of five over proof it would be roughly 286,000 proof gallons, or as the spirit is usually sold at twenty under proof, it would mean 386,000 gallons, that is in round figures. Of course, my business is a small one comparatively; it is a mere fleabite to some

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of the business done by the other bigger blending houses.

11528. But still it is considerable?—Yes.

11529. In your view the development of the blending system is at the bottom of the increase of the Scotch whiskey trade?—That is my opinion.

11530. That being so, have you any views as to whether it would be wise to impose any restrictions on the proportions of the different sorts of whiskies that may be brought together in a blend?—I think it would be very unwise to impose any restrictions.

11531. You might elaborate that a little if you would?—Of course, the quantity of pot still or patent still whiskey that should be used in a blend is so much a matter of public taste that it has got to be left to the distributor—to the party who is selling to the public, who is naturally anxious to keep his customers with him. It is for him to give them the blend that will be acceptable. It may be 70 per cent. of patent, and 30 per cent. pot, or it may be 30 per cent. of pot and 70 per cent. of patent—the other way. It is entirely a matter of taste.

11532. (*Dr. Adeney.*) As a matter of practice would it ever be lower than 30 per cent. of pot?—I think it might.

11533. For the better blends?—Yes. In large districts of Scotland they drink pure patent still, and when they use a blend it has a bare suspicion of pot still. That is where the difficulty comes in of drawing a hard and fast line.

11534. (*Mr. Guillemard.*) As regards quality do you consider that the blends at present are, generally speaking, rather good, and that the public is not imposed upon, nor has its health endangered?—The blends are good and well put together, and honestly handled. I think the public in some cases, particularly in this City, have cause to complain about the charges they have to pay.

11535. You mean in London?—Yes. What I mean by that is this. I will give an example: Yesterday I paid at the rate of 13s. 6d. a bottle for what we would call in Scotland ordinary whiskey. That is exorbitant. I do not think the public are getting value. It is out of all proportion to the original cost.

11536. According to your *précis* you think the public are sufficiently protected at present. What would you consider a fair price for the whiskey for which you paid this exorbitant price?—I paid at the rate of 9d. per London glass, which is not a Scotch glass. I reckoned it up and it came to 13s. 6d. a bottle. I should expect the same quantity in Scotland for 4d.

11537. (*Chairman.*) What would the publican probably pay for this 13s. 6d. a bottle whiskey?—I should say 20s. a gallon at proof strength, that is 3s. 4d. Then it is reduced after that.

11538. They do seem rather to have got the best of you?—Yes, and that is not easy.

11539. Did you say anything?—No, but I thought a great deal.

11540. You drank a little and thought a great deal?—Yes.

11541. (*Mr. Guillemard.*) That was an unfortunate experience. I gather you think the public generally are perhaps safer than you were. You think they are sufficiently protected by two Acts of Parliament?—That is so.

11542. Which are they?—The Sale of Food and Drugs Act and the Merchandise Marks Act. I think the two protect the public against adulteration if they are properly administered, and it is no use having Acts of Parliament if they are not put into force. The Merchandise Marks Act, I think, largely prevents goods from mis-description.

11543. Those two Acts cover the ground?—Yes, in my opinion those two Acts cover the ground.

11544. We have heard it stated before this Commission that a certain amount of very bad whiskey is to be obtained in low parts of various cities, and Glasgow is mentioned. Your experience does not bear out that there is a large amount of whiskey dangerous to health being sold?—That is so. My contention is that in Scotland we have no bad whiskey. Some of it is not so good as it might be, but we have none bad, and I think this is confirmed by the fact that when any samples that have been taken by the inspectors have been found to be wrong it has simply been that they have been adulterated below the standard by water, not that there has been any injurious foreign ingredient added to them.

11545. (*Dr. Adeney.*) Can you give the same good character to Irish whiskey?—I am not an expert in Irish whiskey. I think Irish whiskey is very good and wholesome too.

11546. (*Mr. Guillemard.*) Generally you would wish to maintain the *status quo* with regard to blends, and not to impose any restrictions on them?—Yes, that is so.

11547. That would be in the interests of your foreign trade as well as your home trade?—In the interests of the future development of the business generally, forming the opinion that we have done very well in the past on the lines we have been going on, and that we can do possibly better in the future if we are left alone.

11548. Then your conclusion generally is that both pot still and patent still and blends should be entitled to the name of "whiskey"?—Yes.

11549. Perhaps that opinion carries more weight coming from you as you are a pot still distiller yourself?—Yes. Naturally my interests are greater in the pot still than in the patent, but I recognise that the one is necessary to the success of the other under present arrangements.

11550. I gather that as a matter of business if you thought it would be good for your trade, and for the trade of other pot still distillers, you would not object to the killing of the patent still?—No, I should not. I should like to sell my own.

11551. But your view is just the opposite?—Yes, quite the opposite.

11552. With regard to pot still whiskey that you yourself make, do you make a specially strong spirit, what they call a "fat" spirit?—We make what we call a very heavy spirit. We use what are called dumpy stills, with a very short neck, very much shorter than the model here. I think it is certain that a short necked still with a big body produces a fatter spirit than the still with a long neck.

11553. I gather from your *précis* that you think if the term whiskey was restricted to pot still whiskey it would result in the fat Highland malts being knocked out in favour of Lowland malts?—That is so, unless we change our plant to make a thinner spirit. It is the weight of our spirit that is the objection to the present-day consumer.

11554. I think you made some experiments on your friends with different sorts of whiskey, which the Commission would be interested to hear about?—Yes. I invited the committee of the bowling green in my suburb to have their meeting at my house, and after the usual business was concluded, we had what is called a little harmony meeting. I thought I would do a little bit in the way of sucking their brains. I put three whiskies in three different decanters labelled 1, 2 and 3. There was nobody but myself who knew what these whiskies were. I asked them after they had tried them very carefully to write down the whiskies that they preferred, and the result of it was by three to one they preferred the blend.

11555. What were the three?—One was a 10 year old pure pot still. I am not going to mention any names, because I do not want to give a free advertisement to anybody, but it is believed to be one of the best pot still whiskies for drinking singly. The second was a 10 year old blend made of grain spirit, Lowland and Highland malts, and the last was a 10 year old patent still spirit.

11556. (*Dr. Adeney.*) Could you tell us the age of the blend?—They were all 10 years old—they were all the same. The voting was 3 to 1 for the blend, and the patent still spirit got more votes than the pot still.

11557. (*Dr. Cushny.*) Was the blend a Highland malt with a Lowland malt?—Yes, but with grain spirit.

11558. (*Mr. Guillemard.*) What was the number of those who were there?—Sixteen.

11559. Do you think they might be taken as an intelligent sample of the general public in the matter of knowing good whiskey?—Knowing them personally I think a very intelligent sample.

11560. (*Dr. G. S. Buchanan.*) They had not already tried whiskies before this experiment?—I do not follow you.

11561. I was wondering whether you made your experiments at the end of the evening or the beginning?—I follow you now. I assure you that they were all dead sober.

11562. (*Mr. Guillemard.*) I am going now to the point of labelling. I gather that though you wish all those three varieties, pot still, patent, or blends to be called whiskey, you are of opinion that dealers should state on the bottle whether it is a blend of malt and grain, a blend of grain and malt, pure pot still, or pure patent still?—Yes.

11563. And that that should be made compulsory?—I think it should be made distinctly plain and clear to the mind of the buyer what he is buying.

11564. On the bottle?—Yes; or in the case of a bar by a declaration. Let the buyer either see the bottle or let a notice be exhibited at the bar that the whiskey sold there is a blend of malt and grain or a blend of grain and malt, pure pot still, or pure patent still, as the case may be.

11565. (*Dr. Adeney.*) Where would you draw the distinction between grain and malt, and malt and grain?—Where the proportion of malt was greater than the proportion of grain I would call it a blend of malt and grain, otherwise I would call it a blend of grain and malt.

11566. (*Dr. G. S. Buchanan.*) May we see the labels?—I have forgotten them. I sent them forward to the Secretary.

11567. You have adopted this plan for some time?—I printed 2,000,000 labels prior to the Islington prosecution because I felt in my own mind that the public should be honestly treated.

(*Chairman.*) As you have sent the labels forward to the Secretary we can see them. (*The same were handed to his Lordship.*)

11568. (*Mr. Guillemard.*) With regard to your labels that you yourself use, how many are there?—Three varieties.

11569. The first is: "A blend of matured malt and grain whiskies upon the proportion of which its stimulating properties and high character depend."—That, I may say, is a label I use where the proportion of malt is greater than the proportion of grain in the blend.

11570. You put malt first?—Yes.

11571. Then your second one is: "A blend of grain and malt whiskies upon the proportion of which its stimulating properties and high character depend?"—The same label with the two spirits reversed. That is where the grain in the blend is of a greater proportion than the malt.

11572. The first one would apply to a blend of 51 per cent. of malt and 49 per cent. of grain, and the second one to one of 49 per cent. of malt and 51 of grain?—It would certainly, but that is the only way of getting over the difficulty.

11573. The third is "a blend of matured grain and malt whiskies upon the proportion of which its stimulating properties and high character depend"?—It is the same label, but I put below that: "Distilled in Scotland" to show that it had its origin in Scotland.

11574. Do you send these out with all your stuff or only where it is desired?—Not with all. We intimated to our customers that these labels were available and that they could have them gratis if they wanted them. Some take them and some do not.

Adjourned for a short time.

11575. (*Mr. Guillemard.*) I think the next point in your *précis* is with regard to the possibility of setting up a chemical standard for whiskey. What is your view about that?—I should strongly object to it.

11576. Will you give your reasons?—In the first place, I think it would not be conducive to quality. Assuming that a standard of ethers was set up, we might get a whiskey with a standard of ethers in order, and in other respects it may be deficient. It is a very difficult thing to set up a chemical standard.

11577. Your objection there would be that a perfectly good article might be excluded because it did not come up to the standard?—That is so.

11578. Is there a possibly greater danger than that, the other way on, that possibly an inferior article might be made chemically to conform to the standard?—That is where the great danger comes in. Supposing a standard was set up, I think it is possible an inferior article might be made to comply with that standard by the addition of certain chemicals.

11579. Did you hear Sir James Dewar's evidence, or have you read his evidence?—No.

11580. He made a great deal of that point, that it was possible to artificially manufacture whiskey to conform to any standard. Is that so in your view?—That is my principal objection to a chemical standard. Undoubtedly that could be done.

11581. Now to come to a smaller point. What would be your view on the proposal to set up a standard as to the quantity of patent still or pot still whiskey that had to be used in the blend?—I should object to that also for this reason, that in some districts a much lighter whiskey is wanted, and in other districts a heavier one is wanted. Take for example Edinburgh and the East of Scotland, where they insist on having a light whiskey, they would not take a heavy whiskey. In Glasgow it used to be the very opposite. The great bulk used to be made up from pure Highland malts of a very heavy type. Now for some years public opinion in Glasgow has been veering round to a lighter whiskey, and they are also coming in the same direction as Edinburgh and the East.

11582. It might get to 90 per cent. of patent still and 10 per cent. of pot still, or even less than that?—Quite possible.

11583. Then with regard to the suggestion that there should be an age limit set up, what are your views about that?—I am opposed to the setting up of an age limit.

11584. Perhaps you might state your views pretty fully as to that, because a good many trade witnesses have come here and have spoken in favour of this. If you, as a practical man, wish to take up a different view, you might perhaps elaborate your objections to it?—There seems to be an impression abroad that one can get drunk sooner upon a young spirit than upon an old one. I think that is quite a false impression. I proved by experiment upon myself that you can get drunk as soon upon one as the other. I put myself to inconvenience and illness in order to work out this experiment, and I found that the after-effects from having too much of the old spirit was far worse than the after-effects that I had from the young spirit. I do not put that forward as an argument for using young spirit, because I do not drink young spirit myself. It is too harsh for me. I drink an old spirit, not because I believe it is more wholesome, but because it pleases my palate, and I believe that a great many other people are in the same position as myself as regards that. There are two or three difficulties connected with fixing an age limit. Who is to make up the averages? I take it the fixing and the enforcing of an age limit would be in the hands of the Customs and Excise officers.

11585. That would be so?—The making up of those averages would undoubtedly cause a considerable amount of work—sometimes very difficult work. I think it would be hardly fair to the dealer. I may mention a case. Recently I paid duty on a cask of brandy which had gone down by age to 68 under proof. I am not allowed to sell that, without a declaration, at a lower strength than 25 under proof. I have got to bring up the strength of that brandy by the addition of young spirit, and I should lose a great amount of the value of my old spirit. That is one objection. Then the next objection is that this age limit, I think, would press very hardly on the small man, who buys his supply from hand to mouth.

11586. The small dealer?—Yes. He has not the necessary capital to hold his whiskey for two years in bond. The old spirit would get into the hands of the stronger firms, who would sit upon it until they got their own price. In fact, we see something of that just now. In Scotland the price of young grain spirit has gone up in recent months very considerably.

11587. When you speak of young spirit, within what age do you mean?—I take the makes of 1905, 1906, and 1907. These have advanced by jumps. The stronger

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houses in the trade are buying those whiskies, and sitting upon them, believing that an age limit will be set up.

11588. Set up by this Commission?—Yes, set up by this Commission, and that then they will be practically in a position to dictate their own terms to the smaller man.

11589. It is more or less of a gamble on their part?—It is.

11590. If an age limit is suggested for whiskey, would it, in your view, be necessary to apply it to other spirits as well?—Most emphatically. You would be sacrificing the home product if you did not.

11591. You mean you would be encouraging the sale of brandy, rum, and gin?—Yes; you would be encouraging the sale of brandy, rum, and gin as against the sale of whiskey.

11592. Gin is a home product?—It is a home product, but there is a large quantity imported from Holland, which is practically sold new. In fact as far as gin is concerned we have handled a certain amount of Hollands gin, and we cannot keep it, because the moment it takes a colour from the wood people object to it. They have been accustomed to buy their gin white.

11593. I think you want to make a suggestion as an alternative way of dealing with the difficulty, that, instead of having a compulsory age limit, there should be a differential duty. That has been put before the Commission by another witness?—Personally I am not in favour of any change, and, as already expressed, I am in favour of maintaining the *status quo*; but, if there is to be a change in the direction of an age limit, I would rather have it in the form of differential duties.

11594. I think that is enough for that point, because it has been put before the Commission fully?—I am aware of it. The only point I wish to bring before you is that one of the witnesses mentioned 6d. per gallon per annum as the difference. I think that is much too high, because taking the average price of the whiskey at 3s. a gallon, 3d. a gallon is quite sufficient to give the holder 5 per cent. for his money and provide for the loss in bond. If there is to be a difference, I advocate that it should be 3d. a gallon, and that it should be limited to four years.

11595. In your experience what is the effect of the Islington prosecution on the nature of whiskey that you sell?—I may explain that while the Islington prosecution was pending we had a number of requests and inquiries from our customers, especially in England, for blends made up of pure pot still malt. We complied with these requests, and in a good many cases got orders. We never got one single repeat order, and in some cases we had to take it back and give them the ordinary blend of grain and malt for it, and in a good many cases the buyers who kept the whiskey had themselves to blend it. Some of them unfortunately have some of it yet. They told me that without exception they did not get repeat orders from their customers.

11596. You have it still with you?—I have some of it still with me.

11597. Undisposed of?—Yes, undisposed of, and I am having to re-blend it.

11598. I make a private suggestion to you to try the Army and Navy Stores?—It is very difficult to get in there.

11599. (*Dr. G. S. Buchanan.*) Was that your own malt from your distillery?—No, they were malt whiskies bought on the market.

11600. (*Dr. Horace T. Brown.*) Containing a proportion of Lowland malt?—Yes, containing a proportion of Lowland malt. We made them as light as possible with the Lowland malt, and in each case we submitted samples, which the buyers approved of.

11601. (*Dr. G. S. Buchanan.*) They were supplied to a price?—We were given a limit of price, and we were asked to submit samples.

11602. (*Mr. Guillemard.*) I am not quite sure that this comes within the reference to the Commission, but I see you wish to advocate that it should be permissible to sell whiskey down to a strength of 35 under proof without declaration?—That is so.

11603. I should think it does not come within the terms of the reference to us. Your object in recommending that is in the interests of sobriety?—That is so. As you are aware, home and foreign gin is allowed to be sold to 35 under proof without declaration. In the interests of sobriety I think it would be a good move to put Scotch and Irish whiskey on the same footing. I believe a great deal of drunkenness is attributable to the unfortunate habit of "standing rounds" in public-houses. For instance, half a dozen young men meet in a public-house in the evening, and, by an unwritten law, each man has to stand a drink. They have half a dozen drinks of strong whiskey, and they are inebriated, and the chances are that they would not be quite so drunk if the whiskey was diluted. I think that Scotch and Irish whiskey should be allowed to be sold down to 35 under proof.

11604. In other words, you think the existing law, which was passed in the interests of the consumers, operates against sobriety?—I think, to some extent, it does. In the case that I have mentioned just now of buying old brandy, I think the same thing applies to whiskey; in some cases before you take it out of bond it is below the strength you are allowed to sell at, and you lose the character of the fine old spirit by putting a young article in it.

11605. (*Dr. Horace T. Brown.*) Does it very often occur that such a spirit runs down to below 35 under proof?—Not very often, but there are cases where brandy goes down in strength in some bonds. There are cases where I have seen it down to 50 and 60 under proof.

11606. (*Mr. Guillemard.*) Perhaps you could summarise the effect of your evidence?—I summarise my evidence under seven headings: (1) Pot still, patent still, or blends of both are entitled to be called whiskey. (2) When sold, they should be described on the label as either pot still, patent still, or blend. (3) I do not approve of an age limit. (4) I do not approve of any restriction either as to plant, material, or methods of manufacture. (5) I do not approve of a chemical standard for whiskey. (6) I do not approve of a standard of malt to be used in a blend before it can be called whiskey. (7) I do not approve of any legislation that would restrict the trade in its legitimate operations, apart from what may be necessary to protect the public from adulteration.

11607. (*Dr. Cushny.*) With regard to the definition of whiskey that you gave us, can you tell us anything about the authority of the definition?—I should say it goes back to the mists of antiquity—to the old smuggling days.

11608. Who was Dr. Charles Annandale?—The Editor of the "Popular Encyclopædia," published by Blackie and Son in 1885.

11609. Does the definition exclude potato spirit?—No, it includes it.

11610. Would you include it?—With our present plant I would not. I do not think we have a plant that would give satisfactory results.

11611. What do you mean by that?—The distiller can make his whiskey quite as cheap from grain as he would be able to with potatoes with the plant that he has at the present moment. In making whiskey from vegetables or fruit you have to ferment your vegetables and fruit and have to turn it into wine before you can redistil it.

11612. You have to do the same with grain?—Yes, but it would be a different process. You have really to make your vegetable or fruit into a wine, and probably keep it for a period before you could redistil it.

11613. It is not a matter of flavour, is it?—I should not say that potatoes or vegetable matter would ever become a substitute for whiskey made in a pot still, but I am speaking of grain spirit, which is more neutral in character, and contains very little flavour.

11614. Potato spirit is made in large quantities in foreign countries?—Yes.

11615. If it were made in Scotland, would you call that whiskey at the present time?—I do not think there is anything in law to prevent it being called whiskey.

11616. Would you be willing to accept it as whiskey?—Not as made by our present method of manufacture. We must make different plant if we are going to use vegetable or fruit matter.

11617. What is the difference between German potato spirit and Scotch whiskey?—I should say that

when they were seen new it would be very difficult for most people to tell the difference. It is after they develop that you can tell the difference, because foreign plain spirit is almost neutral—absolute alcohol. Scotch spirit contains a certain amount of oils and flavour which develop with age.

11618. It is a matter of flavour?—Yes, it is a matter of flavour. I might explain that my object in leaving the material open is that the hands of the distiller, or manufacturer, should not be tied, because it is quite possible that we may discover material and plant for making equally good spirit, and probably better spirit, at a lower price than we are doing just now. I know of nothing at the present moment, but I believe it is quite possible, and, therefore, I think the manufacturer's hands should not be tied.

11619. That is rather defining the whiskey of the next century?—Yes. I think the manufacturer should be encouraged as far as possible to search for those things. Instead of being tied down to one hard and fast thing, he should be rather encouraged to look about him, and see if he can find anything better.

11620. You make some statements about the intoxicating effects of taking heavy pot still spirit. What are those statements based upon?—They are based upon actual experiments made upon myself. I have taken, what we would call, a good skinful of patent still spirit, and gone to bed, and I have got up the next morning with a perfectly clear head. I have done the same with pot still whiskey, and I have got up the next day with a fearful head. It is accounted for by the essential oils that are contained in the spirit. The one, the patent still, is a light spirit.

11621. This is a very important experiment, and we must go a little more into detail. Are you sure the skin was just as full both times?—Perfectly. I should rather think that the balance would be in favour of the patent still.

11622. (*Chairman.*) What constitutes a balance in favour—little or much?—I took sufficient of each spirit to believe myself that I was intoxicated, and I went to bed, and I had, what would be called, a sleep, not a very refreshing sleep. I judged by the effect upon me the next day.

11623. (*Dr. Cushny.*) Do you mean you took the same quantity—did you measure the quantity?—In both cases I took the same quantity of spirit of the same age.

11624. (*Dr. Horace T. Brown.*) Of the same strength?—Yes, of the same strength, and of the same age.

11625. (*Dr. Cushny.*) Which do you think began to have effect first?—The patent still, but it ended very much sooner. It is easily explained, because the patent spirit, being light, is evanescent, and goes to the head at once, but it gets out of your system quicker.

11626. With the patent still spirit you could not detect any headache whatever?—That is so.

11627. I want to get at any possible differences. Were the experiments quite parallel? Did you take them at the same time of day?—I took them at the same time of night—immediately before going to bed. I did not want to be knocking about.

11628. (*Chairman.*) You took it lying down?—Yes.

11629. (*Dr. Cushny.*) You think it is simply a matter of difference in the amount of essential oils?—I do.

11630. The essential oil is probably about half as much in the patent still spirit, I take it, as in the pot still spirit. That is the general run of things—that there is about a half to a third as much of the essential oil in the patent still as in the pot still spirit?—I really could not say.

11631. That is the evidence. You always took the same amount of each?—Yes, I always took the same amount of each.

11632. Did you repeat the experiment often?—No, I just tried it once.

11633. You only made one single experiment?—Yes, I made only one experiment, and I waited carefully until I felt I was in good condition. I was not off colour, and I was not in ill-health.

11634. Were the experiments on successive evenings?—Yes.

11635. (*Dr. G. S. Buchanan.*) Which experiment came first?—The patent still spirit I took first.

11636. (*Dr. Cushny.*) I am afraid I cannot accept that as evidence?—Possibly not. I am not prepared to repeat the experiment.

11637. (*Chairman.*) Had the effects of the first night quite worn off when you commenced the second?—I felt as fresh as a lark after the first one.

11638. A lark under the influence of whiskey is rather novel?—After the experiment with the patent still spirit I got up perfectly fresh the next morning, and after a good bath I was quite fit for my work; but with the pot still it took me nearly a week to get right. There were some effects hanging about me that I did not quite like, and I attributed those to the stomach being upset by the essential oils in the spirit not being digested.

11639. (*Dr. Cushny.*) I think you have made some experiments with old and new whiskey on yourself?—Yes.

11640. Did you find that the after-effects of the old whiskey were more lasting than those of the new?—Yes. The new whiskey I took had never been in wood.

11641. Was it six days, or six weeks old?—It was not a day old—it came from the still.

11642. How old was the old?—Seven years.

11643. How many experiments did you make?—I made two series of experiments—with new patent still and old patent still—and then with old pot still and new pot still.

11644. Did the old patent still have any injurious effect?—No.

11645. You did not find any difference between the new patent still and the old patent still?—None; but I did in the case of the pot still.

11646. As to the new pot still, did it produce any symptoms at all?—It produced the symptoms of intoxication.

11647. Just like the patent still?—Yes.

11648. You suffered from headache, and so on, from the old?—Yes, with the new pot still, too, but not to the same extent as I did with the old. I made two weeks' experiments with those. I took one week for the patent still, and another week for the pot still.

11649. Did you have them each night?—I took them at night.

11650. Each night?—On succeeding nights, taking the young whiskey first and the old whiskey afterwards. I first gave myself the new patent whiskey, and the following night I took the old patent whiskey. Then I gave myself a week's rest. Then the following week I took the new pot still whiskey one night, and took the old pot still whiskey the following night.

11652. The new pot still whiskey gave you a headache?—Yes.

11653. Do you think it was quite fair to try the one immediately after the other when you had had a headache that morning?—Probably it might not be quite fair, but I think I was capable physically of making the experiment.

11654. Then there is one point I want to ask you about. I do not quite understand how the Merchandise Marks Act protects the ordinary consumer against misdescription?—It would protect him in this way. If it were possible that plain or German spirit was used in the blending of Scotch whiskey the Merchandise Marks Act would protect him against that, because that is not recognised here as whiskey—foreign spirit.

11655. But is anything recognised as whiskey?—I should say spirits made in this country are recognised as whiskey

11656. But it is not legally whiskey. Whiskey is not a legal term?—Possibly not; but I think it would be a breach of that Act to describe a German spirit as Scotch whiskey, if it were possible. Of course, it is impossible, because the differential duty is against it; but if it were possible that some unscrupulous trader might colour a flavoured German spirit, and sell it for Scotch whiskey, I say that man could be got at by the Merchandise Marks Act.

11657. Supposing an Irish blender mixes Irish patent still with Scotch pot still, and sells it as Scotch pot still whiskey, do you think the Merchandise Marks Act would protect him?—That is a case where it might be very difficult to find out, because grain spirits, whether made in Ireland or Scotland, are so much like

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each other when young that it might be very difficult to find out. I think the main thing we want to do is to protect the public against adulteration.

11658. It is protecting the public against a thing that does not actually exist, is it not?—It does not exist at the moment, but there is no saying but what it might creep in. Of course, the inspectors are very smart, and are always looking out for samples, but they have not been able to find anything but water; but there is no saying how long that state of things will continue.

11659. But what the public generally feels is that it is not protected against getting a very poor variety of whiskey when it asks for a good variety of whiskey. Do you not think some protection is needed for that much more than for the adulteration which does not exist?—The great bulk of the British public are now drinking whiskey freely, and whether they will or not they become judges. It is like a lady who is continually drinking tea, whether she can help it or not she becomes a judge of tea and can discriminate between good and bad. It is the same with whiskey. If the public are continuously drinking whiskey they must get acquainted with it, and they reject the bad and take the good.

11660. There is the possibility that whiskey may at some time be adulterated. You wish to take the precaution of preventing that occurring?—Yes.

11661. On the other hand, there is no doubt that the quality of the best brands is as good as ever, and you do not see that it is necessary to protect them at all?—No. It is very difficult to prevent adulteration. Of course, in Scotland we all drink whiskey, and if the publican or hotel keeper gives us bad whiskey we do not go there again, or we take the whiskey back to him and tell him to give us something better. In Scotland our retailers are mostly free independent factors, and they vie with each other in buying the best whiskey that can be got.

11662. You wish to spread the sale of whiskey in London?—Yes.

11663. It is your business to do that?—Yes.

11664. You suggest a scheme by which a blend containing 90 per cent. of malt should be separated from a blend containing 10 per cent. of malt, do not you?—No, I only suggest that it should be labelled. I do not think the buyer would be prejudiced if it is declared on the bottle what he is getting.

11665. I do not see how you can reconcile that with your former statement that you do not wish anything done that could not be done under the Merchandise Marks Act and the Sale of Food and Drugs Act?—I only mention those two as being sufficient to protect the public from adulteration.

11666. (*Dr. Adeney.*) I see that Dr. Annandale's article is dated 1885?—Yes.

11667. As a matter of fact, were such things as potatoes, beet and other roots being used in Scotland for the production of whiskey at that time?—That is a question I could hardly answer.

11668. I gather from the evidence that we have had that it was not?—I should think it was not.

11669. Can you then put forward Dr. Annandale as a reliable authority on the subject?—I could not say that. We look upon such articles in the encyclopædias as being written by experts.

11670. I quite sympathise with your wish to keep open the road to progress in every possible direction, but it is important to get some fundamental idea as to the origin of whiskey, and it seems to me the practice of the trade now and for some years past has been pretty well defined as to the materials?—Yes.

11671. Those materials, we have been informed, are malt and cereals?—Quite so, up to the present point.

11672. In the present state of trade if we were asked to define whiskey we must take it as we find it?—Yes.

11673. And we cannot be biassed by considerations for what it may be in the future?—My only wish in putting forward this argument is to leave the manufacturer with a free hand for picking up any improvements either in plant or material that might crop up.

11674. I agree, but at the same time you ought to protect the vested interest of a great trade so far as that is legitimate and proper?—That is my concern. I am very anxious to do that.

11675. There is one idea I want to present to you. You see in the use of your Scotch whiskies and in the use of Irish whiskies we have had experience of the effect upon the human system for many years past, and we know if drunk in moderation and the whiskies are of good quality there is no reason to suppose that they have a bad effect?—None.

11676. Anyone coming forward with a new spirit made from different materials altogether, although flavoured similarly to whiskey, as we now understand it, would not be justified in assuming that the new whiskey would have similarly good effects upon the human system?—Of course, before it could be put on the market it would be carefully experimented upon.

11677. Would it not be fairer to the vested interests of the old trade that a new spirit coming from an entirely new source should be called by some other name?—I should not object to that for a moment.

11678. That would leave the road open to it?—Yes. I should not object to that for a moment.

11679. You mentioned as a differential duty a possible 3d. per gallon?—Yes.

11680. I should like to refer you to the evidence given by Mr. Jameson, one of the pot distillers from Dublin. It is at question 1628 of the evidence in the early part of our sittings. His evidence was that the increase in the value of pot still whiskey in Ireland on a year's keeping was from 4d. to 6d.?—I do not know what it was in Ireland. I wish it were that in Scotland, we should all make money. He may probably be speaking for his own whiskey which is unique among pot still whiskies in Ireland.

11681. But still 3d. a gallon would be hard upon him, would it not?—Yes, it might be. I am speaking from the point of view of a Scotch distiller and blender. I think 3d. would be sufficient to cover our charges.

11682. Later on I see it was suggested that 2d. per gallon represented the annual increase in value of the patent still spirit?—Yes, I agree that would be sufficient to cover it, but you would require to deal with whiskey as a blended article, and I would take the average of the two and take them at 3s. per gallon new. Supposing they were blended in equal quantities, I should say 3d. per gallon upon the 3s. would be sufficient to pay for one year the interest at 5 per cent. to recoup the holder. Of course there is no rule that could be put in force without pressing hardly on certain distillers. Jameson is unique among distillers in Ireland.

11683. (*Dr. G. S. Buchanan.*) Do you think much Scotch whiskey is sold at the present time containing younger spirit than two years old?—Yes, I think there is a good deal.

11684. If all spirits had to be at least two years in bond the difference that it would make to the owners would be approximately at the rate of 3d. a year per gallon?—About that.

11685. Do you think that would seriously affect the price of whiskey as sold by the glass, or as sold by the bottle to the consumer?—It would not, I think, seriously affect the whiskey as sold to the consumer, but it would seriously affect the profits of the small blender or dealer. We turn over parcels of single whiskey at a profit of sometimes one farthing per gallon, and you can gather from that that the market is very keenly competed for, and I think the small man would be shoved out. That is in large operations.

11686. You think the small dealer would be crushed out, although the requirements would be just the same on the small dealer as on the large dealer?—It would be the small dealer that would be crushed out, because he cannot afford to lock it up and mature it.

11687. Is the small dealer worth the distiller's consideration?—It is a heavy undertaking for distillers who are making 200,000 gallons a year as many are. We cannot afford to carry it. We have not the money.

11688. Two years' purchase would practically only affect the patent still whiskey, would it not?—It would affect both, but patent still possibly more than the pot.

11689. The patent still distillers, as far as one gathers, are concerns with a very large amount of capital, and they would probably accommodate the smaller dealer if his trade was worth their while?—They would accommodate him, but he would have to pay for it.

11690. Would not that come into the 3d. a gallon?—I do not think so.

11691. The effect as regards the public would be probably that they would not have to pay more for the whiskey than they do at present?—Quite. I do not think the public would have to pay more. To me the great objection to this age limit is that it squeezes out the small man.

11692. If the public has not got to pay any more, I do not quite see what becomes of your argument that this would be unfair with regard to brandy, rum and gin. The public has not got to pay any more for the whiskey. Why should they give up whiskey and take to brandy, rum or gin?—I do not think you see the point I am making. I said it would be very unfair to limit the age of whiskey if you do not limit the age of brandy, rum and gin, because to the extent of age, brandy, rum and gin would have the advantage if not limited. People might go on to those things.

11693. If the consumer has not got to pay any more, all it means is that he gets a little better whiskey?—I start with the belief, gained from experience, that a great many people like their whiskey young.

11694. That is another story. I gather that at your Highland distillery you make a whiskey specially suitable for blending?—That is so.

11695. And if there was no blending, practically there would be no demand for your whiskey?—That is so.

11696. With regard to the Sale of Food and Drugs Act, do you suppose when samples of whiskey are taken under that Act they are usually tested for anything else than the addition of water?—That is a question for an analyst. I should imagine that these samples find their way into the hands of the public analyst—the city analyst.

11697. They do?—I cannot answer for him, but I should say that he looks for every form of adulteration, otherwise he is not doing his duty.

11698. You are expecting him to do impossible things with the sort of sample he gets?—They usually buy a bottle.

11699. (*Dr. Adeney.*) But he has not got the use of the whole of the contents of the bottle?—He has the use of one-third of it.

11700. That is not sufficient?—He should ask for more. He can get it if he pays for it.

11701. (*Dr. G. S. Buchanan.*) If whiskey was allowed to be 35 under proof instead of 25 without declaration, would you suggest that the price of whiskey to the consumer should be lowered in any way?—Most emphatically.

11702. You would still have greater objection to paying 9d. a glass?—Yes, much greater; because I can add my own water.

11703. (*Dr. Horace T. Brown.*) If an age limit were imposed, although the consumer might not have to pay more for his whiskey, would he get, do you think, as good a quality of whiskey?—Under the age limit?

11704. Yes?—I do not think he would get any better whiskey.

11705. But would he get as good?—I do not think it would make much difference in the quality.

11706. If the middleman is not going to lose that 3d. per gallon per annum if he can help it, would not it result in his using a cheaper form of pot still whiskey for his blend, and a larger amount of Lowland than Highland?—The temptation would be for him to do that under an age limit.

11707. So that although the public might not have to pay more for the whiskey, it would be taken out of them in the quality?—It is quite possible.

11708. (*Chairman.*) I gather from what you say that, in general terms, you consider this whiskey trade is carried on under pure conditions without any adulteration or without any attempt at fraud in it. It is a good and pure trade?—That is my opinion. I have never seen anything else.

11709. I suppose you also would agree that the freer we allow trade to be done uninterfered with by the State the better, except for the purpose of checking the evil-doer?—That is so.

11710. The only effect on the trade of legislative action would be to check the evil-doer?—That is so.

11711. According to your opinion, where does the evil-doer come in in the whiskey trade?—I am not acquainted with any evil-doers in our trade. I only recollect in 30 years' experience one case where a certain blender—not mentioning names—in Leith was using methylated spirits for diluting his spirit. That is the only instance, and it was so unique that it was spoken about for a very long time. I should say that he was singular.

11712. In the first place, you have the check of public taste, which represents public opinion, where the customer chooses his own source where he deals—that is, apart from legislative check?—That is so.

11713. That is a certain check?—Yes, that is a check.

11714. There is, no doubt, is there not, the evil of a man buying very cheaply and selling very dearly?—Yes.

11715. Do you know personally of any instance where the State has ever interfered to prevent that being done?—I am not aware of any.

11716. You have been good enough to suggest some labels?—Yes.

11717. What is your object in putting those labels on the bottle?—I have no object except to intimate to the public what that blend is made up of.

11718. This is for the Scotch trade or anywhere they want it?—For any of my customers who wish to use the label.

11719. And you have them in England?—Yes, I believe we have some in Birmingham.

11720. Not in London?—We only give them where they are asked for.

11721. You have English customers?—Yes. We have not enough in England.

11722. You are trying to get some more?—We are always trying.

11723. Look at this label: "Matured malt and grain whiskies upon the proportions of which its stimulating properties and high character depend." If a customer comes in, I do not know whether he would see this, and all he would learn would be that Mr. Blanche was selling "matured malt and grain whiskey upon the proportions of which its stimulating properties and high character depend." What protection is that to any human being?—Of course, the first part is the intimation of what the blend is.

11724. What should we say to the second? It is quite true, of course, but what should we say to it?—We must all do our best to crack up our particular article, and we are confident that we are handling a good article and want to tell the public so.

11725. What does a customer who goes into a public-house and buys whiskey know as to those differences? First a blend of matured malt and grain whiskey, and then a blend of grain and malt whiskey. You say that makes a difference. Do you say that a customer knows the difference?—I quite admit that a large percentage of them would not, but how are we to arrive at any means of telling a customer?

11726. You do arrive at a means of telling them that Mr. Blanche is selling whiskey of stimulating properties of a high character. That comes in the whole three?—We must get a little advertisement out of it.

11727. There was a time when you had to pay stamp duties upon advertisements. I think they would have taxed you?—Probably.

11728. We have got from you that the trade is carried on very purely. You do not know of any adulteration being made, and the only evil you know of that should be checked is the difference between high and low price?—That is so.

The witness withdrew.

Mr. C. Pratt.

22 June 1908.

Mr. CHARLES PRATT, called.

11729. (*Mr. J. Y. Buchanan.*) You are the principal of the firm of Messrs. C. Pratt and Sons, wine merchants and blenders of whiskey, carrying on business in Lincoln and the neighbouring counties?—Yes.

11730. You wish to call attention to some points which have not been sufficiently, in your opinion, dealt with by the Commission?—That is so.

11731. Your first point is as to the matter of guaranteeing the age of spirits by Government. That, you think, should be done as it is done in Canada?—Yes.

11732. First of all, perhaps you will let us know how it is done in Canada?—I am not fully conversant with the methods adopted by the Excise. I only know the result that certain whiskey that is imported into this country from Canada has an age guarantee attached to it by the Customs over there. Seeing that it has been mentioned so frequently that it is desirable to protect the public by, might I say, suiting certain blenders' purposes by qualifying the amount of malt and patent still, I should say that would be eminently unfair unless due consideration was given to the age of the patent still whiskey and the age of the pot still whiskey. This knowledge the Customs and Excise have here, and they trace from the time of the distillation to the time it goes out into consumption the age of the various parts of a blend, and it would be a very small difficulty for them at a small charge, say, of 1s. a dozen, to allow a guarantee on a lead seal, or something suitable to be affixed in order that the public might be assured that the age is as stated. I am confident that the greatest cause of the diminution of consumption of various wines and spirits in recent years has been largely owing to the want of confidence of the public, that so many inquiries have been held as to what is pure whiskey and brandy, and so on, that the British consumer is beginning to wonder what he is actually getting.

11733. That would have to do only with the bottled whiskey?—Yes.

11734. Of course, by far the greater proportion of whiskey is taken out of bond in cask?—It could be done so. My point is, supposing selling as a wine merchant I was selling you whiskey, and I said: "My whiskey is eight years old," and you said: "The other man says that," I could say: "If you doubt it at all for a small extra payment of 1s. a dozen you can have it guaranteed by the Excise."

11735. Then you have to bottle it in bond?—Yes. My opinion is that many of these whiskies may be much younger than the public give them credit for, owing to there being no method of assuring the public.

11736. That is so, having no Government guarantee?—You can only give a man your word. Another unscrupulous person might equally give his word, but if you could say: "If you like you can have this same whiskey under Government guarantee," I think it would be an immense assurance.

11737. I think it would be. You think that the Customs or Excise officials could do that?—I do not see any reason why they should not. There might be some small charge made for their trouble, but it would be very small.

11738. You say that in the cheap trade, such as public-houses, you cannot offer pot still whiskey, because if it is new it is unpalatable?—Quite so.

11739. Could you tell us what you have to offer about that?—It would be very much nicer if all the world could have the best, but owing to certain people not being able to afford it, they must have a substitute, and I consider that a patent still that is old, flavoured with a pot still that is old, is much more wholesome than a pot still that is new and raw.

11740. Do you wish for any guarantee of that, or is it merely an expression of opinion?—It is merely an expression of opinion.

11741. You have noticed a change in your part of England, as well as elsewhere, that the public do not like the heavy whiskies?—No. They have a decided objection to anything of a smoky character, and the higher class malts are, many of them, very smoky.

11742. The particular flavour of malt whiskey they call by the name of "smoky"?—That is the local expression that I am quoting rather than my own.

11743. The best way of modifying that is blending it with patent still?—Provided it is old. Some people like to blend it with a thin malt, like a Lowland malt.

11744. Do you think your customers would detect the difference if you used for blending a patent still whiskey not so old as nine or ten years, as you mention here?—My experience of patent still whiskies when they are new and put into a blend is that they, what we call, throw up a smell of the still—I will not say it is a methylated spirit smell but is an objectionable aroma.

11745. Do you think it is necessary for your purpose to keep patent still whiskey for nine or ten years?—I would sooner use a nine-year-old patent still than a four-year-old thin malt.

11746. Would you sooner use a nine-year-old patent still than a three or four-year-old?—Yes, it is softer. You get the loss in bulk.

11747. It increases the price that is charged?—Yes, but I think you get the advantage in the age.

11748. Have you anything to say about your fourth point? You say "it is a common practice for proprietary advertised whiskies bottled in Scotland to have their bottles made small to the detriment of the purchaser; some go so far as to have bottles made to contain 7 bottles to the gallon in place of 6; a bottle should be a standard measure of 6 to the gallon"?—Yes. I should like to qualify that fourth point by saying $6\frac{1}{2}$ bottles instead of seven.

11749. You say seven bottles?—Yes. I should have said $6\frac{1}{2}$. I have not been able to bring one showing that there are seven.

11750. As a matter of fact, in your trade, when you are selling bottled whiskey do the bottles almost always run six to the gallon?—Many people have advertised that they do sell six to the gallon.

11751. The majority must be less?—I should not like to say it is the majority. I know of a number who do not sell six to the gallon, and I am quite satisfied that the consumer is quite ignorant of it, and the hotel-keeper is also ignorant of it because on his certificate he will get two gallons of whiskey with a dozen of whiskey permitted to him, but it would not actually contain two gallons.

11752. Taking the ordinary quart wine bottle, or beer bottle, they require more bottles to the gallon?—Beer is generally sold by Imperial measure.

11753. (*Mr. Guillemard.*) I rather doubt whether this is inside our reference. I think it is outside?—I thought it was an important matter to mention.

11754. There are a lot of matters that are very important, but we must keep within our reference. You have mentioned your point, and I do not think you ought to state more?—If you please.

11755. (*Dr. Adeney.*) Have you any personal experience of the difference in flavour between Scotch, Irish and English patent still spirits?—I have not much experience of the English patent still spirits, but the Irish and Scotch are very dissimilar after being aged.

11756. Quite a distinct flavour?—Yes.

11757. (*Dr. G. S. Buchanan.*) As against Irish or as between particular distilleries?—Particular distilleries.

11758. (*Dr. Adeney.*) Is there a distinguishing feature in the Irish flavour as in the case of pot still whiskies?—I rather distinguish those in this way: that some are rather hard, and some are round in their flavour. I do not think they are as distinct as Irish and Scotch whiskies, which are as distinct as port and sherry are in wines.

11759. I gather that your object would be to keep up the reputation of the various whiskies in the trade so as to retain public confidence?—Certainly.

11760. I do not know that you would care to give us what your idea of whiskey is?—I think whiskey may be fairly taken to be the product of cereals—grain generally.

11761. Either from the pot still or patent still?—Yes, either from the pot or patent still.

11762. Would you think that Scotch patent still spirit should be called Scotch whiskey?—Certainly, I should say that.

11763. Just as much as the pot still?—Yes.

11764. Do you think that would be fair to the Scotch trade?—You could not sell the smoky Scotch whiskey unless it was thinned down.

11765. I am talking of the two selling separately?—I have never had experience of selling patent whiskey by itself. I have only used it in blending.

11766. (*Dr. G. S. Buchanan.*) What do you suggest in regard to age? Is it that the Excise could assist the blender to make a statement as to the age by labelling in the same way as they do in Canada, and that the blender should pay for the privilege?—Yes.

11767. What you are suggesting is a voluntary act, that if the blender goes to the Excise and says, "Here are these facts about this whiskey which you can verify. I want you to verify them. I am prepared to pay for this label at the established charges," that that should be given?—Yes, that that should be given which is now forbidden. "Under the Excise regulations the officers are not to interfere with labels or names used on bottles or cases by proprietors beyond seeing that no label or inscription be used on either which contains such expressions as 'bottled in bond,' 'bottled in Customs (or Excise) warehouse,' or any expression which implies official supervision."

11768. (*Mr. Guillemard.*) Where do you get that from?—The Excise regulations on wet bonds.

11769. Is that drawn up for the officers of the Excise?—Yes, for the officers of the Excise. I think it is public property, and it is written by one of the examining officers.

11770. I do not know the book. Let me look at it?—Yes. (*Handing same.*)

11771. (*Dr. G. S. Buchanan.*) Do you know, as a matter of fact, whether they do charge for the label in Canada?—I am not familiar with the methods that they adopt.

11772. My impression is that it is compulsory there?—It would be much better if it were here.

11773. You would prefer it to be compulsory?—Yes, much.

11774. But at the same time you think the provision of some voluntary system of guarantee such as you speak of would be better than nothing?—Certainly.

11775. Do you know the United States practice in regard to the labelling of blends in bond?—I have no knowledge of it at all.

11776. I understand that the placing of the official label over the cork attesting that the spirit is bottled in bond in the case of the United States is made a privilege. It is only allowed in the case of whiskies that have been stored for a certain time in wood and in cases where the capacity of the bottle is correctly stated, and where the alcoholic strength is above a certain amount?—All that could be conformed to.

11777. It is something in the direction you were speaking of. You mentioned proprietary whiskies. I suppose one of your ideas in connection with what you have just suggested to us is to enable the blender who does not put out an extensively advertised whiskey to put out something that can compete with proprietary whiskies?—I do not think it would be very difficult for a blender to do that.

11778. I want to know from the trade point of view what it is you are going to get by this. It seemed to me that possibly what you had in mind was the objection which had been raised here before, that people go for whiskies with well known names simply because they have got such a general mistrust of anything that is sold as whiskey?—This is rather the point I heard stated in the House, that anybody could be persuaded to buy an encyclopædia or a pill that is advertised sufficiently. A wine merchant continually gets asked for various brands that have been floated upon the market by a speculative advertiser. To place a proprietary whiskey on the market here would cost at least £50,000 to ensure it a good sale. I have heard in Nottingham of some merchants there keeping twenty-two brands, but personally, I do not keep any other than my own.

11779. That is rather what I was suggesting, that you wish for something which you think the Excise can give or might give by agreement if the trade were willing to pay for it which will assist you in competition with the proprietary whiskies?—Quite so.

11780. (*Mr. Guillemard.*) With regard to the proproposed guarantee by the Excise and Customs, is age the only thing for which you ask a guarantee?—Yes. It was rather prompted by the fact that it has been suggested by many witnesses that the label should state the exact proportions of malt and grain. The exact proportions of malt and grain largely depend on the whiskies you are handling. There are thin malts and thick malts, and it would be quite misleading to the public, and would carry no information to them to say that a certain whiskey had 50 per cent. of malt unless they knew the age of that malt.

11781. What I mean is this. Are you asking that the Excise should guarantee the age only or the age and other things with regard to processes materials and other things?—One was to go hand in hand with the other. If you put a label on the bottle my experience is that it arouses suspicion. People say, "Why cannot I have all malt," or something like that. Unless you have something to allay suspicion, they see it is something different to what they have had before and imagine that somebody is trying to get at them.

11782. You have selected a thing that is much easier for the Excise to guarantee than anything else?—Yes.

11783. A great many people ask that the Excise should guarantee the materials and origin, but you only say age?—Yes. That is the only thing I ask for.

11784. That is a comparatively easy thing as compared with the others?—I understand it is.

11785. Then when you get to the age of blends have you any ideas as to what should be the age?—I take it if there is an eight-year-old patent whiskey blended with a ten-year-old malt in equal proportions, that would be a nine-year-old whiskey; but supposing a man had varied ages and there were fractions of years, I should say it would be sufficient to say, "This whiskey is guaranteed to be over six years old."

11786. You would take the youngest year and say it was all as old as that?—I should take the average year and divide the bulk into it.

11787. Then there is this difficulty. That guarantee is all right, and you put it on your bottle. Then the people take the bottle away. Say they do one of two things, either put the label on another bottle or put something else inside the bottle with the label on it. Is not that a very real danger when you get beyond the stage at which the Excise can control it?—It is something like these brandies, that people could fill a bottle of high-class brandy with an inferior spirit.

11788. At present the Excise are not guaranteeing the brandy?—No.

11789. Up to a certain point it may be that the Excise have a power of control, but take the bottle beyond that point, out somewhere beyond the control of the Excise, you see there is then a risk of your Excise label being possibly a danger to the public rather than a safeguard?—You are rather thinking of when it entered a public-house, and I am supposing a family wine merchant supplying a private family.

11790. Your thing might operate as a remedy over a part of the field?—Yes.

11791. Over the great extent of the field, and the extent where there is most danger it would not operate?—You could not stop fraud. It would be a fraud to do it.

11792. You think you might go as far as this, that it might possibly facilitate fraud?—I should not have thought so, because before persons dared to do it they would know that when they are interfering with the contents of a labelled bottle they are committing a fraud and taking a very serious risk upon themselves in doing so. I scarcely think the majority of the dealers are so unscrupulous.

The witness withdrew.

(Adjourned to to-morrow at 12 o'clock.)

TWENTY-SECOND DAY,

Tuesday, 23rd June, 1908.

At the Westminster Palace Hotel.

PRESENT:

THE RIGHT HON. LORD JAMES OF HEREFORD, G.C.V.O. (*Chairman*).

L. N. GUILLEMARD, Esq., C.B.
W. E. ADENEY, Esq., D.Sc., F.I.C.
H. T. BROWN, Esq., LL.D., F.R.S.
G. S. BUCHANAN, Esq., M.D.
J. Y. BUCHANAN, Esq., M.A., F.R.S.
A. R. CUSHNY, Esq., M.D., F.R.S.
A. V. SYMONDS, Esq. (*Secretary*).

Mr. C. R. Haig.

23 June 1908.

Mr. CHARLES R. HAIG, called.

11793. (*Chairman.*) I believe your proper description is that of distillers' agent, whiskey merchant and broker?—Yes, my Lord.

11794. Are you a Past Chairman of the Wine and Spirit Association, and now on the Committee of that body?—I am.

11795. You are Managing Director of Haig's Cooperage, Limited?—Yes.

11796. Is that a limited company?—Yes, a limited company, both dealing in casks and manufacturing.

11797. How long have you been in the business which you now occupy in London on your own account?—I have been 36 years in the whiskey trade.

11798. And since your very early days have you been acquainted with distilling, and have your family been in it for a very long time?—Yes, for nearly two centuries. I come of a very old distilling family, although I have never been a practical working distiller myself. I have been in and out of distilleries in the three kingdoms, and know the general manner of working.

11799. For these reasons you have obtained a general and considerable knowledge in matters connected with the whiskey trade?—Yes, a general commercial knowledge principally, and also a certain amount of manufacturing knowledge, but I am not identified with any particular interest, either pot or patent. I represent both in London, and have always represented both.

11800. What is your experience in business between the two particular classes of whiskey, pot still and patent still whiskey? Do you deal in both?—Yes, I deal in both, and am agent for both pot still and patent still distilleries.

11801. Is there any proportion between the two? Do you find that one is more popular than the other?—The proportion between the two as blended, do you mean?

11802. In the first place as pure? Which do you deal in most, pot or patent?—I used to sell more pot in London than patent, but owing to the circumstances having changed now, that position has been rather reversed, and I sell now more patent. That I think, is owing to the spread of blending. London is the centre, and they do not buy now so much new pot still. I being an agent my business has now drifted more into selling patent still.

11803. Do you know of any particular time when the extension of the blending of whiskey came about?—It was just beginning in a small way when I was first in business, thirty-six years ago. That was in a comparatively small way, and of course it has gathered in a very great volume since. At the time I first came to London the Scotch whiskey sold was extremely young.

11804. Now I wish to ask you a question about this blending. You say thirty-six years ago it was in its young life—it was beginning?—Yes.

11805. Has it been progressing since then?—Yes, ever since.

11806. That means that the trade in it has increased very much in consequence of the popular demand for it?—Yes.

11807. To what do you attribute that popular demand?—As regards Scotch, that principally I attribute to the fact of the presence of large stocks of patent still spirits which were held, and also to large stocks of pot, and that the public taste was best met by the blending of the two.

11808. Surely the motive power that increased the demand would be the public demand for it?—I do not think the public took it in the volume they did until they got the blend of the pot and patent.

11809. Was it the public taste that in your opinion produced the increase of trade?—Certainly it was.

11810. In what direction did that taste run? Was it that it was milder or simply the question of distinctive flavour, or what?—It was milder and it was a better whiskey generally for the money when distributed to the public.

11811. What does that mean? Take the price of the blend. What relation did that price bear to the price of pure pot and pure patent?—When I was first in business the pot was very much dearer than it is now, and the patent was relatively dearer, but the relation of the two somewhat changed, for pot has very much cheapened, and grain too, but hardly in the same proportion.

11812. The grain is the patent?—Yes.

11813. Pot has gone on cheapening?—Yes.

11814. When you get a blend I suppose you have the medium between the two prices of pot and patent?—Yes.

11815. And the proportion of the price must be in proportion to the different percentages used of those two blends of pot and patent?—Yes.

11816. It speaks for itself?—Yes, it speaks for itself, but a cheaper article will be cheaper when old than a dearer article when it is old.

11817. I want the proportions of the pot and patent so as to produce the price of the blend. The age, of course, is a material question in price?—Yes.

11818. Which of those two whiskies improves more by age in your opinion?—The capabilities of improvement in malt—in pot—are very much greater undoubtedly.

11819. Why do you draw a line between the capabilities of improvement and the actual improvement?—Because I think that pot will go on improving very much longer than patent. I look upon it from the point of view of the amount of age necessary to make the article palatable.

11820. What do you say as to the policy of applying the name of whiskey "Scotch" or "Irish," or whatever it may be, or "whiskey" generally to both pot and patent still productions?—I have always held that the designation "whiskey" could be applied to any spirit made from corn by a still.

11821. What meaning do you attach to the word "corn?" Is that the general term cereals?—Yes.

11822. As to cereals, native grown or foreign?—I do not think native grown has anything to do with it as regards any particular kind of cereal, whether foreign barley or foreign wheat, or foreign oats.

11823. Then we come to maize?—Yes.

11824. You would include maize, I gather?—Yes.

11825. What do you say as to rice?—Rice I am not so certain about. It is very exceptionally used, and I really would not like to give an opinion upon it.

11826. The result is that to cereal productions you would apply the term "whiskey," equally to pot and patent?—Yes, my Lord.

11827. And to blends?—Yes, and to blends of pot and patent.

11828. Have you anything to say as to where the words "Scotch" or "Irish" ought to come in?—My natural remark would be that I should take an article made in Scotland to be Scotch, and an article made in Ireland to be Irish. I once jokingly said of a pot still whiskey that was made in the Irish still in Scotland that the only Irish thing about it was that it was made in Scotland.

11829. Now as to your practical experience. What do you say both as to the desirability and practicability of labelling this whiskey in each of these different stages? We went yesterday through a great deal with regard to that as between the distiller and the merchant. Do you see any necessity beyond the invoice of the one telling the other what the whiskey is?—None whatever.

11830. What can be done, if anything, in the public interest—the consumer's interest—to ear-mark that whiskey which is sold in retail and small quantities by probably the licensed victualler to the consumer across the counter?—To ear-mark the whiskey as patent still or pot?

11831. Yes, and in every other capacity too. First take pot and patent. What do you say as to its practicability or its desirability?—Assuming the patent still is whiskey, and assuming the pot still is whiskey, I should submit that any blend of those two sold together should be called whiskey.

11832. I am on pure pot and pure patent. Will you leave the blend for the present? What do you say is the desirability or practicability of informing the customer by regulation of what that whiskey is which he is drinking?—I do not see what end would be served by it.

11833. In the first place, in England do the general public know anything about pot and patent still whiskey?—They know hardly anything except what they are told in the police-courts, and so on.

11834. They know what they like?—Yes, they know what they like.

11835. And if there is difficulty in communicating to them that it is pot or patent still they are getting, then I suppose there would be greater difficulty in communicating to them the blend and the nature of the blend?—Yes, a far greater difficulty to my mind.

11836. Now, going back to what occurs to a licensed victualler, what do you say to the evil which may occur in the case of a licensed victualler getting a very cheap patent still whiskey of a low class and paying a very small sum per gallon for it, and also getting some very good pot still whiskey, which is dearer? A customer comes in and says: "Give me some whiskey," for which he pays, say, 4d. a glass. The publican, not unnaturally, gives him the very cheap whiskey and charges him the same as if he were giving him the pot still whiskey at a dearer price. Of course, it is very desirable that the customer should not be charged more than he ought to be charged?—Yes.

11837. Have you in your mind any way by which you could prevent such a charge being put upon the customer?—I cannot designate any check that could be put on the charges of any article in a public-house, or in any other retail establishment.

11838. Do you think the ordinary customer would be prone to say, "Oh, this is bad stuff"?—Yes.

11839. What do you think the current price of a glass of whiskey is?—3d., 4d., and 6d.

11840. And the price varies according to the quality, age and quantity?

(*Dr. Adeney.*) And the strength?—Yes. You might say that strength is reduced to the lowest legal point, as a rule.

11841. (*Chairman.*) Supposing a man goes into a public-house and stands on one side of the counter and says, "Give me a glass of whiskey." As a matter of practice would the licensed victualler ask him what kind of whiskey, or what price, or what strength, or anything else it was that he wanted, or would he go to some particular kind of bottle and pour it out as a matter of course?—The customer might ask for Scotch or Irish, but if he said "Irish" he would probably draw it from the tap of the price that the man asked for, or was accustomed to have.

11842. Some of my colleagues say that there is a great variation of price. Does the customer say, "I want a glass of 3d. or 4d. whiskey," or does the publican say, "What kind of whiskey do you want"?—My knowledge is very limited with regard to going into public-houses, and I will tell you why. It is because I generally ask for whiskey from a special bottle when I do go into a public-house, and then I have a reasonable guarantee of what I am getting.

11843. I expect you know a great deal more than an ordinary person, but I want to see if there is an evil between the customer and the publican, and if there is an evil to see whether it can be checked?—It depends on what you call an evil. If you think that a patent still should not be sold as whiskey, I must say the publican would probably give his customer an article that would be called pot still that would not please him half so well as the patent.

11844. I am speaking of the evil of the price. I am speaking of a man selling a very cheap low-class whiskey at a high price, and I want to know whether there is a way of checking that?—I do not think there is much selling of very low-class whiskey at a very high price.

11845. There is the power to do it which is potential. If there is no check put by the customer on a particular whiskey at a particular price the licensed victualler can do as he likes?—That may be said of every article that he sells, and of every shop of every kind, that a man may not get good value for his money, but that is his look-out, and he need not go there again.

11846. Unfettered trade you go on?—Absolutely.

11847. What do you say to the detention of whiskey in bond?—Would you allow me to put before the Commission a price list of mine of 26 years ago, in which I put under the heading of "whiskey," "grain whiskey" as one. It is only to show that the designation of whiskey is attached to grain.

11848. You produce a price-list of yours, dated 1st June, 1882, in which you apply the term "Scotch" and "Irish" whiskies to grain whiskies produced by the patent system?—Yes.

11849. What do you say to compulsory detention in bond?—In the abstract, like a good many others, I am in its favour, but when I have, particularly as a practical man, and a man connected with the cask trade, to contemplate the difficulties, it is a totally different matter. The difficulties seem to me so numerous, and in some cases you might say without very minute supervision almost insuperable.

11850. Will you state some of them?—In the first place there is one that is well-known to the Commission, and that is the size of the vessels and the nature of the vessels in which the spirit is stored.

11851. How does that create a difficulty?—For the simple reason that the object of keeping it in bond would be to alter the character of the spirit by ageing, and the vessel might be of a nature not to alter it at all, and therefore the age of the spirit would not take place, although technically, it would be two or three years old, as the case might be. So that it depends on the size of the cask in which it is stored, and the nature of the cask in which it is stored, and the making of that cask impervious, which might be easily done, and is done, to the atmosphere, whereby there would be no loss, and whereby the spirit would remain practically unchanged. I mention, for example, the spirit "drums," as they are called, owing to the shape and size of them, for importing German spirit. They have a glaze on the inside to avoid loss in transit. This glaze makes the cask

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absolutely or almost impervious to the atmosphere, and the spirit is unchanged, there is no loss by evaporation during the transit of those casks, and there would be no loss worth mentioning, I think, in such casks if spirits were stored in them. Therefore you would have to provide that the casks should be of a certain size, not more than such and such a size, and also that they were made of a certain material, and also that the material was not treated on the inside so as to make it impervious to the atmosphere.

11852. Putting this objection of yours on one side for a moment, what do you say is the period during which the two classes of whiskey would be benefited by being held in bond?—I know of malts that go on really improving up to 15 or 20 years.

11853. It would not be practical to make a compulsory detention for 15 years?—No, of course not. Grain spirit, on the other hand, I think, reaches its best period earlier, but certainly it is all the better for being kept five or six years as a matter of rule, or even more.

11854. As a practical trader, in your opinion, what would be the inconvenience to the owner of the whiskey as regards his capital if you put the whiskey in bond and he could not sell it? If a man had capital he would get recouped by the extra price, but if he has not capital how is he to get on?—He could not keep it, and he would have to get somebody else to keep it for him.

11855. That somebody else has to find the capital?—Exactly.

11856. That would be an inconvenience?—He would be inconvenienced by the payment of the interest. I want to add this, that from my knowledge of the coopering trade I could produce a cask, no matter how small, that would virtually give up the spirit almost unchanged after it was bonded two years, and it would escape the notice of the Excise authorities, who would have to exercise very minute supervision. Suppose that the glaze that I have spoken of on the actual inner surface of the cask were covered by a thin inner casing of wood, which is quite possible, the cask would keep the spirit in it absolutely unchanged.

11857. Have you anything to say as to the detention in bond of foreign spirits?—Yes. As regards foreign spirits, of course, we are placed in very great difficulty, because there we would be at the mercy of any authority who could certify as to age, except we kept it in our own bond for two years. With all due respect to foreign Governments, and foreign officials, a certificate of age from certain quarters—I will not mention names—would not have the weight which our undoubted proof of detention in bond by our own Excise officials would bear.

11858. Of course, the principal foreign spirit is brandy?—Yes, our principal foreign spirit is brandy, but it touches also Colonial spirits—rum.

11859. What is your idea as to the advantage gained by the detention of foreign spirits that come over here, which may be called young, and also for what time do you say they ought to be detained? First of all, take the brandy that comes over?—There, again, it all depends. I would not consider that the two years that has been put forward by a good many is a reasonable time. I think two years, both for brandy and whiskey—that is good brandy and good whiskey—would be about the worst time you could detain it.

11860. Is new brandy injurious to health?—That I am not able to say much about.

11861. Is it disagreeable to the palate?—That I do not know.

11862. I do not quite see from your state of knowledge that you suggest there should be any detention in bond of the imported spirit?—I am not suggesting that there should not be any detention in bond, but I am merely putting forward what are my objections to it, and what I consider are the practical difficulties of enforcing the detention in order to ascertain the result which is desired by those who advocate it.

11863. Is it your idea now that a great deal of new brandy is imported into this country?—Quite so.

11864. Quite fresh?—Yes, quite fresh, and kept here. This touches one of the questions your Lordship asked. It is kept here because the guarantee of age here in the custody of our officials is considered so much better than if it were merely to reach us with the guarantee, or even an invoiced age by some foreign merchant.

11865. Is this new brandy fiery—objectionable to the taste?—It is far more so than old brandy, I should say.

11866. Would a customer find that out so as to be able to correct the sale of an unduly new brandy?—Yes, most customers would, and particularly a real grape brandy unblended, but, of course, my knowledge of foreign spirits is not extensive.

11867 You are against the detention of foreign spirits in bond?—Yes, owing to the difficulties in the way of so doing.

11868. (*Dr. Horace T. Brown.*) Your definition of Scotch and Irish whiskey would be purely geographical?—Yes, purely geographical.

11869. Take patent still spirit. You would maintain that it should be called whiskey?—Yes, I have always called it so, and I have always looked upon it, and have always known my colleagues to look upon it as whiskey.

11870. Are you of the opinion that it might be called Scotch whiskey if produced in Scotland?—Certainly.

11871. And in Ireland it might be called Irish whiskey?—If produced in Ireland from any still in Ireland, and from any still in Scotland.

11872. For instance, you would not think it desirable that patent still spirit made in Scotland should be called Scotch grain or Scotch grain spirit, or Scotch grain whiskey?—No, I cannot see the necessity for it, because I think there is as much difference between grain spirit and some pot stills as there is between some pot stills *inter se*.

11873. There is one statement you made about the influence of the size of the cask. I think, perhaps, you have not made your meaning perfectly clear. Your argument, I believe, is this, that the action of maturing which goes on in bond is dependent on the surface action through the cask?—Undoubtedly.

11874. And that the surface of a small cask is proportionately greater than the surface of a larger one?—Yes, and produces a proportionately greater effect on the spirit in it. I have practical knowledge of it because I have often found spirit in a quarter cask showing fully a year's age more than that in hogsheads and butts.

11875. You think if an age limit were stated it would not be fair to treat quarter casks and hogsheads on the same basis?—No, I do not think it would.

11876. (*Dr. G. S. Buchanan.*) In practice what is the size of the casks in which the greater part of the whiskey is matured?—Hogsheads are the favourite I think for malts, but I think there is a larger proportion of butts for ordinary patent grain spirit.

11877. A butt being how much?—A butt is 108 or 110 gallons, a hogshead is 54 or 55 gallons, and the quarter cask is 27 or 28. The Scotch measure by what they call plain distillery casks, which are larger.

11878. The butt is the largest in practice?—Yes, it is the largest in practice.

11879. So that if your two years' detention applied to the butts the whiskey contained in the smaller casks would improve a little bit more than that in the butts?—Yes, and if there were double butts, treble butts, and very large butts, the loss in evaporation and everything else would show in the keeping a smaller loss corresponding to the greater size of the cask.

11880. But supposing the two years that has been suggested by some witnesses were applied to butts as a maximum unit, there would be no hardship in that as regards the improvement of the whiskey? The improvement in the smaller cask would be a little greater, but that is all?—Yes. I do not speak of hardship in the matter at all.

11881. I do not quite understand what advantage it would be to glaze the casks, and otherwise, to make them impervious?—The merchant would not have his loss by evaporation.

11882. I thought you told us that the Excise would have no means of detecting this. Would not they at once detect that there had been no evaporation?—They could detect a glazed cask by careful examination, of

course, but what I was saying is that it is within the resources of coopering to make a cask with an inner casing of wood over a glazed surface which would have the same effect.

11883. (*Dr. Adeney.*) Have you known that to be done, as a matter of fact, with a potable spirit?—No, never.

11884. It is a pure assumption that you are going upon now?—I assume that it might be made because I know that it could be made.

11885. (*Dr. G. S. Buchanan.*) I quite understand it could be done, but I do not see in whose interest it is. If there is a check upon the detention in bond being of a satisfactory kind, surely it would come to the notice of the controlling authority that these butts which were filled in the first instance with whiskey at the end of two years contained the same volume?—Yes, he would save the evaporation and loss. You must remember that where a cask is pervious and is not glazed on the inside the greatest loss takes place, of course, in the first year owing to the absorption.

11886. You think it would be more worth the while of the owner of the whiskey to avoid the loss by the evaporation, and to get a larger volume, than to get the benefit of the maturing for two years in the shape of less harshness of the spirit?—There are plenty of people that it would suit better to make that saving. I should much prefer to see an inducement given to keep it in bond than compulsory detention, that is to say, I should very much prefer seeing a rebate given on the duty, say, of 4d. per annum and clearance after three years being subject to that rebate of 4d. a year. Then it would be worth while for a man to keep his whiskey.

11887. You have no doubt in your own mind that keeping whiskey, even the comparatively plain whiskey, for two years or longer in some cases is a good thing for the quality of the spirit?—For the palatable quality of the spirit, yes. I see no evidence that old is more wholesome than new. That is as far as evidence yet shows.

11888. Do you drink new patent still whiskey yourself at all?—No—it is merely as a matter of palate, as far as whiskey is concerned. I have seen no definite statement that the younger spirit is injurious. I drink it blended, of course, and old.

11889. Do you drink the new patent still spirit blended?—No.

11890. Did you tell us that you had much experience of the certificates that are received from foreign countries in regard to blending?—It is a thing lately instituted about which I know.

11891. Are you prepared to say that the certificates which are given at the present time in regard to detention of brandies in bond in wood for a certain length of time are unreliable?—No, I do not pretend to say that the existing certificates are unreliable. I do not know of any certificates except those from France.

11892. Are those French Government certificates or certificates given by the merchant?—They are the different coloured permits given by the internal revenue authorities, the permit originally attached to the cask when bonding which, I believe, attaches to the particular cask right through until its arrival here.

11893. Are you getting that in the case of new brandies now?—That I really do not know. I do not represent brandies.

11894. What I wanted to get from you was whether it was the Government official certificates that were in your mind when you spoke of not being able to trust the guarantees that were received from abroad in regard to age?—No. My fear would be of new spirits of quite a different class reaching us with an unreliable certificate that it was of two years of age. I do not think our merchants would tamely submit to any other guarantee for the age than two years' detention on this side of the water.

11895. I notice in this circular of yours that you showed us of 1882 of whiskies that were then on sale, a large series of whiskies classed under Highland malts, Lowland malts, Grain, and Irish whiskies, and at the end it refers to plain spirits. You say, "Plain spirits in all strengths from 11 over proof to 60 over proof, and lowest market prices." What would the plain spirits be?—Plain spirits might quite possibly be some of the very spirits there quoted, but new and for a different purpose. For instance, I am not sure that in that very year I was not agent for a patent still distillery, and plain spirits are known to rectifiers, and the very same grain spirit that would be kept for blending with whiskey would be used for rectifying.

11896. I understand. I see in your *précis* you tell us that you think London grain spirits are entitled to be called whiskey and sold as such. Is that your view?—Undoubtedly, as much as other whiskies.

11897. In your business do you deal with Scotch, Irish and London patent still whiskies?—Yes, undoubtedly.

11898. Do you consider that, for purposes of blending, Scotch malt whiskey should always be blended with Scotch grain, and Irish with Irish grain, or would you blend Scotch malt with Irish grain?—I should not do it unless with the knowledge of the person to whom it was sold.

11899. Would you think it made any difference?—To the customer?

11900. Yes, to the consumer?—Not the slightest.

11901. You were going to tell us, I think, of the trade descriptions that you yourself had been in the habit of using with regard to blends?—No. I only referred to that list, because it puts under the head of Scotch whiskey grain as well as malt, and pot as well as patent. That is all I referred to.

11902. These distinctions, Lowland malts, Highland malts and Grain, as you have them here are, of course, perfectly well known to the trade?—Perfectly.

11903. I gathered from what you said just now that you did not consider it advisable in any way to give any indication of them to the public—to pass them on to the public in the form of labels?—Not advisable that they should be compulsorily given. I do not think the public understands what Highland and Lowland whiskies really are, and where they are made.

11904. It is conceivable that the public might find it to its advantage, in view of the great differences of cost of production and character, to have some information of that sort given to them. Do you not think so? For instance, if you asked for Irish whiskey and you got an Irish grain spirit, would you be altogether satisfied?—I personally?

11905. Yes?—Perfectly satisfied. I would not be satisfied if I got grain spirit after I had asked for John Jameson, and I must say that I prefer John Jameson.

11906. You can perhaps give us information on one point which may be within your practical knowledge. Do you pack whiskies for export?—To a small extent I do, but you may take it my business is generally in bulk on the market.

11907. (*Dr. Adeney.*) I am not quite clear what deduction you wish the Commission to draw from this price list that you have put in?—Only that, before these prosecutions were instituted and before there was any question as to what whiskey was, I, in common with a great many others, called patent still grain spirit "whiskey."

11908. Yes, you called it "whiskey," but I think you said further that you called it Scotch whiskey if made in Scotland or Irish whiskey if made in Ireland?—Yes, and then they are called Scotch and Irish whiskies, and under that general heading come the categories of Scotch including grain and the categories of Irish including grain.

11909. That brings me to the point. You do admit that under the word Scotch whiskey you have a classification of Highland malts, Lowland malts and Grain?—Yes, undoubtedly, and there are Campbeltowns there, I think.

11910. No, not in this?—No, I remember now that I put Campbeltowns among the Highland. In that particular list I put Islays, Campbeltowns and the North Country whiskies, as we call them, all together as Highland.

11911. So that when your customers deal with you they either specify Scotch Highland malt, Scotch Lowland malt or Scotch grain whiskey?—Yes. The bulk of my trade has been, of course, in the unblended whiskey, which is simply sold by the name of the distiller.

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11912. The name would tell your customers whether it was patent or pot still?—Undoubtedly.

11913. You say the same thing for Irish whiskies, but I did not see any Irish grain whiskies in your list?—No. I will explain that. You see, those in my list are all whiskies with age. It is not the custom in Ireland to keep grains. At that time, particularly, very little old patent still spirit was to be bought, and that will account for their not being quoted there.

11914. Then what you dealt with under the term Irish whiskies was practically all pot still whiskey?—Yes, practically all pot still whiskey. It was practically all pot still whiskey at that time, and there was nothing with age. I was selling Irish patent still, but I had no stock to offer, either held by myself or held by the market, of spirits with age made in a patent still, and now there is very little comparatively, whereas there were enormous quantities always at the disposal of the blender of Scotch spirits with age.

11915. At the present time, in fairness to the patent still distillers in Ireland, I think you are not quite correct in saying there are no aged patent still spirits in Ireland?—There undoubtedly is a large quantity sold now, but there was less when I speak of, but even now it is nothing in comparison with the amount of old Scotch grain held by bonders.

11916. I want to see clearly what we can deduce from this price list?—Exactly.

11917. Upon what does the value of whiskey depend?—It depends on how much you can make it for and how much you can get for it.

11918. But on what does that depend—what creates the demand?—As regards old spirits, undoubtedly the state of the wholesale market regulates the price, for instance, old grain now is much dearer relatively to its original price than old pot still ten years old, though they started very different in price.

11919. We have had that in evidence before us, but what I want to get at is what really fixes the value of whiskey. Is it not the flavour? What is the value attached to the term "Scotch whiskey" or "Irish whiskey"?—It depends by whom the value is fixed or thought of.

11920. You are all depending on the consumer, of course?—Yes. I think the consumer will very often give you a better price for an article that has cost you much less.

11921. It may be, of course, but that is not safe trading, is it? I am now taking the trade at large, and I want to know from you upon what do you think the value of whiskey depends?—The value must depend upon the cost of it to the person who has it.

11922. I see in this list of yours that I have here that you can get whiskies for as low a price as 1s. 10d., that is at the date of this price list?—What was the whiskey that is priced at 1s. 10d.?

11923. A grain spirit. You offer other whiskies at 8s. 4d. What would lead any one to give the higher price for the second whiskey that I have referred to?—Undoubtedly what from the market point of view you would call the superior quality of it.

11924. Upon what does that superior quality depend?—The same as in any other category of article, what the buyer of it desires to do with it and to use it for.

11925. But then it so happens that all these higher prices are in one of your categories, but not in all?—Undoubtedly.

11926. As far as the trade is concerned I am a perfect outsider and know nothing of the trade, and as a perfect outsider I am entitled to assume from this list of yours that the Scotch Highland malts are more valuable than Scotch grain whiskies?—I could produce another list of more recent years in which actually the prices of patent still spirits of certain ages, very big ages, had more than caught up the malts of the same ages. That was produced in evidence at Islington. I remember a list in which there was an old patent still spirit of an age the same as a malt, and the patent still spirit was the dearer of the two.

11927. That is rather an exceptional thing, is it not?—It is rather an exceptional thing. It is an exceptional state of the market, for, of course, the best pot still whiskey starts very much higher than the best patent still grain whiskey.

11928. Supposing you had an order from a customer for a quantity of Scotch whiskey and you were bound by the price of the best quality of Scotch whiskey, what would you supply?—The best quality.

11929. Yes, and what if you were not bound by price?—I think that undoubtedly if the very best Scotch whiskey that could be produced was asked for and the price was no object I would, of course, as in the case of brandy, take the very best brandy or whiskey that I could get. Malt whiskey undoubtedly is the superior article, and nobody has ever disputed that any more than I dispute that Mocha coffee is finer than others.

11930. I did not gather that you were prepared to admit that from the evidence given so far?—Yes. I undoubtedly say that malt pot still spirit is the finer article, just the same as I would say Cognac brandy is a finer article than a brandy made in Armagnac or other districts of France.

11931. So that your own list has really of necessity to distinguish qualities?—Yes.

11932. I see you would give the name of "whiskey" to London grain spirit?—Undoubtedly; it is as much entitled to be called "London whiskey" as Scotch Grain whiskey is entitled to be called "Scotch whiskey."

11933. Would you tell us from your own personal knowledge this? Is there any marked difference in flavour between Scotch, Irish and English grain spirit of similar ages?—The Scotch grain whiskies themselves differ very much *inter se*, so do the Irish and so do the London.

11934. Do they differ sufficiently for you to say that the London has a characteristic flavour of its own as much as the Scotch and Irish pot stills have?—No, not as distinctive as malt whiskies are among themselves.

11935. Do you not think it is fair to assume that the reputation of Irish and Scotch whiskey has been built up on the flavour of pot still whiskies of the two countries?—As to the reputation, that I should be prepared to admit just the same as I would admit that the reputation of Cognac brandy was built up on the top dressing used of what they called Cognac fines champagnes, but I would not put the cheaper kinds out of the category and say that they were not brandy.

11936. But you admit that there is a certain necessity for classification?—There is a necessity for a market classification, undoubtedly, but not for a public classification—it is for the benefit of the consumer.

11937. We yesterday had the evidence of a gentleman of some experience who said that he had bought whiskey here in London, and he calculated that the price that he paid for that whiskey was at the rate of 13s. 6d. a bottle, according to what he was charged?—By the publican?

11938. Yes, by the publican?—I think there are overcharges everywhere. It depends on the shop that you go into. If you go into a shop to buy a necktie, you get for 1s. 6d. one which is identical with one for which you would pay 2s. 6d. in another shop.

11939. (*Dr. Cushny.*) You said you thought brandy was fetched over and kept in bond in order that you might have a guarantee of its age?—Yes, we distinguish all old landed brandies such, for instance, as Hennessy's, Martell's, or Otard's, or any brandy that you name. An old landed brandy matured here, landed at the docks, say in 1890, would fetch a better price than an 1890 brandy shipped five years later say by the shipper himself.

11940. The Customs do not give you any guarantee of age, do they?—None whatever, but everybody knows that it cannot be touched while it is in our custody over here.

11941. It is simply the owner that has security—the public has not any real security?—No, it is a market question of price.

The witness withdrew.

Dr. ROBERT RATTRAY TATLOCK, recalled.

11942. (*Dr. Horace T. Brown.*) I understand you have some further evidence to give on a question which has a bearing on compulsory bonding?—Yes.

11943. Have you had an opportunity recently of studying a new process of distillation which gives to new whiskey some of the characteristics which are generally only produced by age?—Yes.

11944. Will you give the Commission some account of your observations on this point?—I attended at the distillery to see the process in operation.

11945. Whose distillery?—The Stronachie Distillery, in Perthshire, of Messrs. James Calder and Co. The plant had been installed there, and I attended while it was working and saw it working. I examined some of the products of that distillation, not that particular distillation, but a distillation by that process along with the product produced in the ordinary way without this improved process.

11946. May we have the name of the inventor of this new process?—Mr. Carroll.

11947. Can you give us any description of what the process consists?—The process consists in passing the spirit vapour into a pipe surrounded by a steam jacket containing steam, superheated to 300 degrees Fahrenheit. A certain proportion of air, also heated to 300 degrees Fahrenheit, is mixed with the spirit vapour and the mixture is afterwards passed into the worm and condensed in the ordinary way.

11948-50. Is that a patent process?—Yes.

11951. (*Dr. Adeney.*) Is it a patent still?—No, a pot still—the method is applied to the ordinary pot still.

11952. (*Chairman.*) There are letters patent for it?—Yes, there are letters patent taken out for it—a complete specification.

11953. (*Dr. Horace T. Brown.*) What is the general result of this process on the product?—The general result of the process on the product is that the whiskey, instead of having a harsh flavour as new whiskey generally has, has a soft flavour similar to what is produced by ageing to a considerable extent.

11954. You have examined these whiskies chemically, I believe?—I have.

11955. Do you hand in your report to the Commission?—Yes.

11956. You give here in your report the analysis of three different whiskies, from the same distillery, I suppose?—Yes.

11957. One is six years old, the other an ordinary new whiskey, and the third the one prepared by this new process?—Yes.

11958. I think the first thing you note is that the ordinary whiskey and the new process whiskey do not differ very materially as far as chemical composition goes?—No, they are all on the same footing as old whiskey and new whiskey ordinarily made—analysis does not distinguish between them.

11959. There is a little more etherification in your new process?—Yes.

11960. Do you think that process is one that conduces to etherification?—I do not think it does. I rather think it has not been the subject of investigation as far as the nature of the changes are concerned, but it seems to be rather the oxidation, or destruction, or decomposition of the by-products that give the characteristic flavour to new whiskey.

11961. Will you give the difference in flavour that there is between the spirits produced by the pot still with and without this apparatus?—There is an absence of the harshness which is invariably present in new pot still whiskey, and there is the softness which is obtained by keeping the whiskey in wood for a considerable length of time, but the process does not claim to give a product which will give anything like a sherry cask taste, which would require to be added afterwards, that is to say, the whiskey in order to get that particular sherry cask flavour would require to be kept some time in a sherry cask, but the softness of the product is obtained through the distillation by the new process.

11962. Have you ever had an opportunity of comparing this whiskey so produced with the de-aldehyded whiskey by the Hewitt process?—No.

11963. You regard this softness as being exactly similar to that which is produced by age?—Yes, in plain wood—that is to say, it has not got the sherry cask flavour, and that must be communicated to it by keeping it for some time in a sherry cask.

11964. You have some object in bringing these new facts before us?—Yes.

11965. Will you kindly state those objects?—May I be allowed to read from a jotting that I have made of my object in appearing before the Commission on this point. It is to make representation to this Royal Commission to the effect that in the event of their seeing fit to recommend a minimum time limit for the ageing of whiskey it would be desirable that they should have regard to whiskies which are or can be improved by other processes than mere ageing, and to invest some proper authority with powers to exempt these from the requirement as regards ageing, or to modify it, as they deem proper, after inquiry and examination.

11966. It is a request in fact that the Commission shall not shut the door to improvements more than necessary?—Precisely.

11967. (*Chairman.*) Do you know the date when those letters patent came into existence?—I do not know the exact date; it was in 1906.

11968. That is two years ago. Do you know of it being employed in any other distilleries except the one that you have mentioned?—No; experiments were made. I believe it is used at another distillery, but not on such a large scale as at the Stronachie distillery. It was merely experimentally.

11969. Has the process attracted the attention of the trade?—It has hardly had time. It is a comparatively new process, otherwise we might have asked to be allowed to request the attention of the Royal Commission to it before now.

11970. In your opinion it is a desirable thing?—Yes.

11971. At any rate it can be tested?—I think so.

11972. (*Dr. G. S. Buchanan.*) Can you tell us what you think the harshness of new whiskey depends upon, chemically?—Not particularly. It clearly does not depend on the items shown in the chemical analysis, the ethers and the secondary alcohols, because if it were so, whiskies showing practically the same composition by analysis would have the same flavour, which they really have not. There are scarcely two alike. I think Dr. Bell and Dr. Schidrowitz have expressed the opinion that it is due to some products partly produced in fermentation, and to some empyreumatic products produced in distillation. With regard to brandy, there is a flavour in brandy distinguishing it from other alcoholic liquors like whiskey, but that harshness is removed by oxidation, by ageing, and it is so with this process also.

11973. Your idea with regard to this process is that it removes that specific chemical substance or mixture of substances which gives this particular harshness?—Yes.

11974. Not that it necessarily produces the other changes which are associated with age in whiskey?—Not necessarily.

11975. I should like to know, as you have made a comparison between the six year old whiskey and the new whiskey before and after treatment, whether you think that the six year old whiskey when it was new was probably comparable analytically to the whiskey you are trying now?—I would not like to put any limit upon it. I should think that the effect would be something between two years and six years.

11976. You do not understand my point. Have they at this distillery frequently had samples of their whiskey in past years analysed?—I think not frequently. I have done it twice.

11977. I do not understand whether one might safely contrast the chemical results of a six year old whiskey with the chemical results of a new whiskey on the assumption that the six year old whiskey was originally the same?—I could not assume that the original whiskey was of the same composition. I do

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not know the original composition of the six year old whiskey, and therefore a fair comparison cannot be made. May I be allowed to put in samples?

(*Chairman.*) Yes?—I will put them in with a list if you will allow me?

(*Chairman.*) Yes.

The witness withdrew.

Mr. J. M'Callum.

Mr. JOHN M'CALLUM, called.

11978. (*Dr. Adeney.*) You reside at Evanfield, Kirn, on the Firth of the Clyde, Argyllshire?—Yes.

11979. You have been a practical malt distiller for thirty years, from 1845 to 1874, both inclusive?—Yes.

11980. Where was your distillery?—The Hosh Distillery near Crieff, Perthshire.

11981. Have you had anything to do with other distilleries since you left your own distillery?—Yes, several.

11982. Will you name some?—Since I retired from the distillery I have advised and reported on various distilleries in Scotland, Ireland, Sweden, and I have been asked to go to America, and was offered a free gift of £50,000 interest in the distillery, but declined.

11983. I think you wish to make a statement with reference to the liquid that the makers use in the process of distillation?—As to the evidence laid before this Commission, all my information is that reported in the "Scotsman" newspaper, and I desire to quote some facts regarding whiskey and grain spirits.

11984. Will you quote those, please?—Mr. Tedder, Chief Inspector of Excise, reported that a declaration of the cereals was given by the distillers; that, as far as it goes, is all right; but the Excise has no declaration or authority for information as to the liquid used. If it is a liquid the distiller may add what he pleases before it passes the mash tun. On that I wish to inform the Commission, and hope your Honours will bear with me while, as concisely as I can, I relate some facts. In 1846 for a week I was residing beside Seggie Distillery, Fife, and was repeatedly in the works. One day in the warehouse, after the officer had finished with the sample of spirits I asked for to taste it. When raising the sample to my lips two of the men rushed forward towards me, one seized my arm, the other the glass, saying if I would drink that it would kill me. I replied I was not going to drink it, but just to taste it. The manager said: "Go for some water." On the production of the water I put a little in my mouth, then spat it out. I was truly thankful for the water. What I saw in the work and the tasting left an impression on my mind and made me keep my eyes and ears open ever since when anything concerning grain spirits came in my way. This probably was the cause, in after years, of my taking particular notice of the workings about grain distilleries and in conversation with those concerned.

11985. You wish to express the opinion to the Commission that vitriol was used by grain distillers? Is that so?—That is so, and I wish to explain my knowledge of it.

11986. You need simply make that statement?—As to whiskey, I hold that whiskey is the natural product of barley, malted, fermented, and distilled in a pot still, otherwise you cannot get whiskey produced; you cannot get the aroma by a patent still, and the aroma is the cream of the whiskey, the same as cream is to milk. Whiskey and grain spirits were as distinct a commodity as silver and copper, and it was illegal to call grain spirits whiskey until about 1858. Four gentlemen in Greenock were fined £450 each for substituting grain spirit for malt.

11987. By whom were they fined?—The Government—the Excise. All permits were written "Malt only," and the permits of grain spirits were written "P. S." (Plain spirits). About 1858 Somerset House requested the officers to write on all permits P. S. The malt distillers sent a petition against it, and it was restored "Malt only." In about six weeks it was withdrawn. Then a deputation went to London to show how the spurious grain spirits were substituted for whiskey. The Chancellor told them he did not care what it was made from, so long as he got the duty. That was the death knell of whiskey. A pot still is a rectifier. I have instructed gardeners to distil their herbs and roses. That could not be done by a patent still. You want the aroma, which is the cream. In 1857 a Bill was brought before Parliament to compel all grain spirits to be kept in bond for a number of years, leaving it to the House to determine the number; but three, four, and five years were spoken of as it would brand grain spirits. Grain distillers, backed by spirit dealers, got up a subscription of about £8,000 to oppose the Bill. The money was given to a London brewer, who gave it to somebody, and the Bill was rejected.

11988. Is there any other matter that you would like to mention to us?—About 1825 the Government drew a line from the Port of Monteith on the West to the coast in the East of Scotland. All distillers north of the line were not allowed to send whiskey south of the line; hence some removed to the south of the line, and were called "Lowland," north of the line "Highland." It did not last in operation very long, because they got a deputation against it.

11989. Was there a different rate of duty on each side of the line?—Those on the north were not allowed to send south of the line at all, and that was the monstrous thing.

11990. But was there any difference in the rate of duty?—From 1840 to 1853 it was 7s. 10d. in England, and in Scotland it was 3s. 8d., but that had nothing to do with the difference at that time. They drew a line, but it did not last more than two or three years.

11991. You do not think it was caused by the difference of duty?—Not at all.

11992. Is there anything else that you wish to add?—Would you allow me to say this? As with milk so with malt. With milk you produce butter or cheese. With malt you may produce whiskey, spirits, vinegar or sugar. At all these places I used to go to they used to make spirits, but they could not make whiskey, and the great material difference was in the stills.

11993. (*Mr. Guillemard.*) I want to ask you a question with regard to what you say in your *précis* at the bottom of page 1 with regard to the glass of whiskey which you thought of tasting, but which you were prevented from tasting. You draw the inference that you were stopped drinking it because it was unwholesome. I suggest you were stopped drinking it because it was 65 overproof, and probably would have killed you if you had drunk it, or even an elephant?—Yes, it was 65 overproof. I was stopped drinking it, and spat it out. I do not suppose for one moment that it was the strength that prevented me, but it was knowing the quantity of vitriol that was used. I think you should allow me to add what I know of the vitriol.

11994. What is it you wish to add?—About 1868, when in Glasgow, one day the manager of a chemical manufactory told me of the great quantities of vitriol the grain distillers were using. I questioned the amount. He at once said my friend used over 40 tons per week. Next day in the Exchange, Glasgow, I met my friend, and after inquiring for the welfare of each other, I said I had no idea of the quantity of vitriol he used until Mr. L., manager, told me he used 40 tons. He replied: "Yes, I require 45 to 50 tons weekly." That is enough to dry their throats, I think. About 1868, in Bristol, I asked a medical physician there, who had a pretty large experience, how it was that persons could drink the vile stuff that they were getting as whiskey. He replied if I was at as many post-mortem examinations as he was I would not require to ask. Their stomachs were tanned like a navvy's old boot; and many of them burst, adding, these folk would not thank me for a glass of my whiskey; they required something that would bite. The grain distillers were using vitriol so freely that they were spoiling the trade, and though the trade remonstrated, they would not yield until the Edinburgh traders combined, and built the

North British Distillery, and even that distillery, I was told, used two carboys of vitriol to the mash.*

11995. Then on page 4 of your *précis* you say: "I knew two public-houses who got a cask each of grain spirits and never got it all sold. Those who got it were so violently affected that people would not enter the house, and the publican had to give up the house." I do not want to press the question unless you wish to answer it, but could you give the names of the two public-houses where the spirits were got?—Yes, it was perfectly public. One was a man named Cameron, in Gilmerton, two miles east of Crieff. I went along there with the officer to write a request not to have it removed. The other was Miss Campbell, in Crieff, beside the "Drummond Arms."

11996. What was the date?—It would be about the 'Sixties.

11997. (*Dr. Horace T. Brown.*) I should like to ask you a few questions with regard to the use of vitriol or sulphuric acid. You have stated that you found it being used in 1868 in a patent still distillery?—In 1846. It is what happened before my eyes and ears.

11998. There is an inference to be drawn from your remarks that this vitriol got into the whiskey, and that the consumers of the whiskey were consuming the vitriol?—Yes, beyond a doubt they are put in the mash the same as water; it goes into the still, and it is there at the finish. When the North British Distillery was started they reduced the quantity very much, but the public was getting it, and you could smell it distinctly.

11999. In those days undoubtedly the grain was to some extent sometimes converted by the use of sulphuric acid or vitriol?—Yes, it was the same thing.

12000. But the sulphuric acid or vitriol was neutralised by lime or some other agent of that kind before the product went to the still, or before the product was fermented?—There is no doubt that a portion would be used.

12001. None of the sulphuric acid ever found its way into the spirit?—I have a dozen times seen coloured paper taken and put into it, and it has come out clean and pure, and all the colour on the paper had been taken out.

12002. Whatever the practice then was I think it is the fact that now no sulphuric acid is ever used for converting the mash?—That is not so; I say it is.

12003. And that even when it was it never could have gained access to the spirit?—No, I do not agree with you.

12004. (*Dr. Adeney.*) Could fermentation go on in the mash if vitriol was present in the mash?—Most decidedly, after it gets into the fermenting back.

12005. (*Chairman.*) Mr. Bramall, as you have been called before the Commission as a witness I will put this to you. Is it your view that vitriol is used now?

(*Mr. Bramall.*) No. This witness has drawn his own proof.

12006. (*Chairman.*) It is not suggested that vitriol is used now, but that it is a thing of the past?

(*Mr. Bramall.*) I had not suggested it.

12007. (*Chairman.*) Except for the interest historically it does not help us very much. (*To the Witness.*) Do you say vitriol is used now?—I believe it is.

12008. On what ground do you say that?—That they require it to dissolve the maize, and it gives them a better produce.

12009. Have you any knowledge, either from what you have observed with your own eye-sight within the last ten years, or from what you have been told, that vitriol is used at all?—Most assuredly yes.

12010. What have you seen yourself to make you think so?—I have seen it going into the distillery, and I have seen it on the premises.

12011. Within the last ten years?—Thirteen years.

12012. Where?—At Alloa.

12013. At whose distillery?—I do not like to suggest the names, but there are four or five distilleries that used it.

12014. At present you are indicting the whole of the Alloa distilleries, or throwing suspicion on the whole of them, and therefore it is only fair to them to say which one it was?—The Carsbridge and the Glen Ogle.

12015. What do you suggest that vitriol was used for?—It was used in the mash.

12016. Is it used for anything else?

(*Dr. G. S. Buchanan.*) We have seen it used at patent still distilleries for other purposes. One that I have in my mind is one that I saw in London.

12017. (*Chairman.*) What is it used for?

(*Dr. G. S. Buchanan.*) In connection with molasses spirit for methylation. They might also use it for cleaning.

12018. (*Chairman.*) Do you know that vitriol is used sometimes for cleaning purposes—the cleaning of the vats, and the cleaning of the stills?—A very small portion.

12019. The vitriol you saw there might have been there for the purpose of cleaning the stills or vats. What do you say as to that?—I say that they would not require 20 or 50 carboys of vitriol for that.

12020. Have you seen 20 or 50 carboys within the last thirteen years?—Yes, I think I have seen 20 at one time.

12021. At one distillery?—I have not counted them. They generally kept them out of sight.

12022. Did you see 20 carboys at one distillery?—I saw them on the road going in.

12023. Do you know whether they were full or empty?—They were full.

12024. How do you know that, if they were kept out of sight?—They were not out of sight when I saw them. A practical man knows the difference between an empty carboy and a full one.

12025. How do you know at all an empty carboy from a full one if you only saw them and did not go near them?—When they are full they are on their bottoms, and when they are empty they are on their sides, one above the other sometimes. When they are full they are properly arranged.

12026. What do you say is the effect of the vitriol that they put into the whiskey? In the first place, for what purpose is the vitriol put into the mash?—They find it beneficial for giving the produce. I never studied it.

12027. In what direction is it beneficial?—For making it into sugar, and increasing the liquid after it is distilled.

12028. What effect does vitriol have on the consumer if it is put into the mash?—It burns his throat and his stomach, and acts on his nerves.

12029. The consumer would find it out in a moment, would he not?—They began with a little and a little, and now they get it altogether.

12030. The consumers would know that the vitriol was there?—Yes, I believe they do. There is no mistake about it.

The witness withdrew.

Mr. JOHN HYLAND, called.

Mr. J. Hyland.

12031. (*Dr. Adeney.*) I believe you have had 35 years' experience in the spirit trade?—Yes, all my lifetime, since I was a boy. I was 35 years connected with the business, and my business takes me all over Ireland. I am connected very closely and intimately with the best of the wholesale and retail trade, and therefore I am conversant with the opinion of the dealers—the traders throughout Ireland, particularly in the three provinces Leinster, Munster and Connaught. In the province of Ulster our firm does not do much business. I am intimately acquainted with what the traders think about this

* With regard to this statement the following letter has been addressed to the Commission by the North British Distillery Company, Limited—"Dear Sir, The report in the *Scotsman* newspaper on Wednesday of the evidence given before the Commission on Tuesday, the 23rd inst., by Mr. John McCallum contains a statement by him to the effect that this Company used vitriol in the manufacture of whiskey. This we most emphatically deny and beg to state that vitriol has never been used by us nor have we had it within our premises. We have written to the *Scotsman* to the same effect and trust that this will be laid before the Commissioners. Yours faithfully, etc."

Mr. J. Hyland.

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whiskey question, and they are clearly of opinion, as I am, that Irish whiskey can only be produced in a pot still in Ireland. Irish pot still whiskey must be made in a pot still and the materials that are used in the composition of a genuine Irish whiskey should be Irish grown and the materials should be barley malted or unmalted, wheat, oats and rye.

12032. You would exclude maize?—Yes, I would exclude maize. The opinions of my friends in the trade wholesale and retail is that Irish whiskey cannot be made from maize.

12033. Are your firm distillers?—No, we are agents.

12034. Are you blenders?—No, we tried blending once, but with disastrous results. We were agents for provincial distilleries in Ireland, and at the time we were selling their whiskies we tried to bring the prices down and tried a blend, but it was disastrous. It did not please our customers, we lost our customers and we did not try the experiment again.

12035. Where are your offices?—Lower Abbey Street, Dublin.

12036. Have you any knowledge of Scotch whiskey?—Not any extensive knowledge. There is very little Scotch whiskey sold in Ireland. We do not handle it except as agents.

12037. I understand from you that you have experience all over Ireland?—Yes, we have.

12038. Does that include the North of Ireland?—Very little. We do not go North of Dundalk. We did business in Belfast at one time, but it was not in whiskey.

12039. In the South of Ireland your experience goes to show that pot still whiskies only are sold?—That is our experience.

12040. By your firm?—Yes, to general consumers. My experience of the trade throughout the country is that it is mainly pot still whiskies that are sold, and all the whiskies that are sold throughout the district we cover are pot still. There is no good trader who will ever have patent still. On the contrary, a trader who is supposed to sell patent still whiskey is shunned. We ourselves, as business people, if we learn that a man has begun to sell patent still whiskey in Ireland begin to doubt his solvency. It is only a very small trader or a very poor trader who will resort to this and this is because he is unable to buy pot still.

12041. Do you yourself know anything of the Irish patent still whiskies?—No, we have no personal knowledge except of seeing them on sale.

12042. Do you know them by taste?—Certainly. We always store them for fortifying purposes—for fortifying wines or cordials.

12043. (*Dr. G. S. Buchanan.*) Were those spirits that you bought for fortifying the same as the Irish spirits that are sold for blending with whiskey?—The same. We got them at high strength, 68 over proof, as high as we could get them, and they were useless to us except for fortifying.

12044. (*Dr. Adeney.*) Would you mind giving us some idea of the extent of your sales in whiskey annually?—As agents we sell a great deal of John Jameson's, Power's, Roe's, and D. W. D.

12045. To your knowledge is patent still sold in Ireland?—To our knowledge it is sold surreptitiously.

12046. I do not mean to the retailer, but in the trade?—It is sold. We used to use it for fortifying purposes.

12047. How is it designated? Is it called "whiskey"?—No.

12048. What is it called?—Grain—patent still.

12049. I gather from you that there is a real prejudice in the South of Ireland and Dublin against patent still?—Yes, there is in the retail trade generally.

12050. The public would not buy it if they knew it was patent still that was being offered to them?—No, the consumers would not take it in the district we cover. They are all under the impression when they ask for "whiskey" that they are getting pot still. That is the general opinion of the consumer as far as we know from our experience which is very wide.

12051. Your suggestion is that any retailer who commences to sell grain spirit does that for financial purposes?—Yes, exclusively.

12052. Have you any objection to patent still spirit so far as its effect on the consumer is concerned?—I think so.

12053. What is your objection?—From personal experience as a Poor Law Guardian and as Chairman of a Poor Law Hospital Committee, I know that there were radical changes made in the method of nursing that brought me in direct contact with the doctors and nurses and the relieving officers and the patients. In the cases of extreme illness arising from intemperance the opinion of those officials was that it was the bad whiskey that these unfortunate people took, because they were unable to buy good whiskey.

12054. Had they real grounds for their opinion, or do you think that it was prejudice?—The evidence of this doctor, which was skilled evidence, and my own practical knowledge of the district from which those unfortunate patients came, led me to believe that it was the bad whiskey that they had got in shebeens.

12055. You are referring to patent still?—Yes, my belief is that it is the patent still whiskey that is sold in those shebeens.

12056. (*Mr. Guillemard.*) It was the opinion of everybody that it was bad whiskey, and when they said that they meant that it was patent?—Yes, as far as their knowledge went, and to my knowledge personally.

12057. (*Dr. Adeney.*) It was you who translated the bad into patent?—Yes, it was I.

12058-59. I take it from you that you really have made no direct experiments upon which you ground that opinion?—As a business man, as a dealer, as a traveller, and as an agent, I am giving you my own opinion fortified by my customers throughout the three provinces, and also the wholesale trade in Dublin. In Belfast the wholesale trade are organised, but in Dublin we are not so advanced. I am free to say, having consulted with my fellow traders and customers in town and country, that they are of opinion that patent still is not whiskey.

12060. You probably, coming from Ireland, have seen something of Fair life in Ireland?—Yes.

12061. And something of the intemperance that sometimes unfortunately occurs there?—Yes. When I was a boy it was a well understood thing that people who got temporary licenses at those Fairs supplied the worst possible drink, but I am glad to say that owing to police supervision, and through organisation in Dublin, and the great attention that this matter excited, that kind of thing has long since disappeared. If there is any intemperance now in Dublin it is undoubtedly due to the selling of new whiskey.

12062. And not necessarily doctored whiskey so as to give it a "bite"?—I think there is very little of that sold.

12063. Have you any other reasons for objecting to patent still spirit being sold as whiskey besides those which you have just given us?—As a business man in Ireland I think it is a national loss that so much spirit should be manufactured from foreign materials. Irish agriculture is in a very poor way. Irish trade depends upon agriculture, and if all this spirit that is made from maize was made from Irish grown materials, barley, oats, and wheat, it would add vastly to the welfare of the country at large.

12064. So that it is upon the economic effect upon the agriculture of the country that you base your opinion?—That is one of the grounds, and also that patent spirit as used in Ireland, which is quite distinct from Scotland, has never been stored in Ireland. The popular belief amongst my friends in the trade is that it does not improve by maturing, and therefore it is not stored. It does not pay to store it.

12065. Can you state as a fact that patent still spirit is not now stored in Ireland?—Not to any extent.

12066. I have seen patent still spirits of four or five years old in Ireland?—It is not stored in the same way that pot still makes of spirits are. I have no doubt that the distillers find it useful to store some patent, but it is not stored on the large extensive scale that pot still is stored. It is not stored as an investment, consequently the patent still that has been used in

the export trade in Ireland is all new, and my belief is that this new patent spirit is highly injurious.

12067. Do you know anything of the blending trade that is going on in Dublin?—Yes. Of course every trader knows of it. We know there are houses engaged in the export whiskey trade in Dublin blending whiskies there.

12068. (*Chairman.*) Which whiskies?—Patent still and pot still. I believe the decline in the Irish whiskey trade at large is due within my experience of 25 years to the inferior name that Irish whiskey has got through England, and this injurious reputation has occurred through the blending of patent with the pot still.

12069. (*Dr. Adeney.*) You have no knowledge of the fine art of blending in Ireland that has been established in Scotland?—No; I do not think it exists to the same extent in Ireland. To begin with, we have not the same number of distilleries, and therefore not the same variety of makes. I know certain traders in Dublin used to blend pot still whiskies with great benefit. A few of them do it still, but they are declining in number. The great bulk of trade in Ireland is going into self-whiskies. Jameson, Power, Cassidy, and others are largely going into consumption as self-whiskies, and blending is disappearing in Ireland except for export trade.

12070. You have no hesitation in stating that the reputation of Irish whiskey has grown up on these pot still whiskies that you refer to?—Yes; and that that reputation has been injured in England.

12071. The reputation of Irish whiskey has depended upon the quality of those whiskies?—Unquestionably. We believe in Ireland that the best whiskey in the world is made in Ireland. That is the experience of experts in the trade.

12072. (*Dr. Cushny.*) You believe that new whiskey is especially deleterious to the drinker?—I do personally believe that from my own experience having tasted it and seen the results of it.

12073. What results have you noticed yourself from new whiskey that you did not notice from old?—I think it is more inflammatory—more exciting to the brain and the nerves.

12074. What did you notice exactly? What were the symptoms of inflammation?—I cannot give scientific information except my own common sense.

12075. I want you to give us what you saw as to your own case?—I have only made an experiment, and I have found it impossible to drink it. You cannot drink new Irish pot still. It goes down one's throat like fire. You can drink new patent still better because there is a certain smoothness about it, an oiliness, and it is not so fiery.

12076. Did you make those experiments on yourself?—Yes.

12077. Did you notice any bad effect?—Yes, certainly. I noticed my head more injuriously affected after new than after old, very much.

12078. You found that it was more intoxicating?—Yes, I found it was more intoxicating, and more exciting, and gave me a bad headache. That was after drinking new spirits.

12079. You found that more with patent than with pot still?—Yes. Good old pot still does one good.

12080. Does it tend to cause headache, do you think?—If taken to excess.

12081. But you can take more of it than of new patent?—Unquestionably. You can take a good old pot still whiskey of any make with advantage.

12082. You have noticed that a worse form of drunkenness occurs from the use of patent still whiskey?—That is my personal belief as one acquainted with the habits of the people, and what goes on around me. Extreme drunkenness is accompanied with violence, and this violence arises from drunkenness during prohibited hours in shebeens. Shebeens are worse than low public-houses. The poor people in Dublin drink mostly this patent spirit. The people are not able to pay for very expensive drinks. Dublin is a very poor place. There are about 8,000 pauper inmates in the workhouses, almost as many on official out-door relief, and a very much larger number of poor on relief from charitable societies. There are at present in Dublin over 20,000 families living in one single room each as their home.

12083. You have very little experience of what the effect of pot still whiskey would be on the poor population of Dublin, I think?—I have. I know many working men who are temperate, steady men, who take their share of good drink in a respectable way.

12084. You have very little experience of what the effect of good pot still whiskey would be on the poorest and roughest population of Dublin?—On the contrary, I have a close knowledge. I am a member of a Dublin charitable society, and we visit the poor in their homes, and in attending to those cases of want it comes under my notice as a matter of common sense that want and poverty arise from intemperance, and that this intemperance arises from drunkenness that is caused through drinking bad whiskey. I maintain that the bad whiskey is the cheap patent still whiskey.

12085. What I want to make out is whether you can give any definite evidence as to that number of poor people in Dublin who drink pot still where there is no particular violence and crime resulting, and contrast those with the same number of people who take patent still?—It would be difficult to make that selection.

12086. Can you give us evidence with regard to this point?—I can give my personal experience and observation.

12087. You have no experience except on one side?—We visit the poor.

12088. Can you give us evidence of where the pot still is used in preference to the patent still for the treatment of mental diseases?—A gentleman who has just recently died, the Resident of the Richmond Lunatic Asylum, Dublin, Dr. Conolly Norman, removed patent still whiskey from the list of his supplies, and used pot still instead.

12089. Did he use much whiskey for his cases?—I do not think so. I do not know the exact quantity. They only use it there for specific cases. He was not at all favourable to the use of alcohol, and to my personal knowledge he removed the patent still from the list of supplies and substituted pot still. The quantity used was some casks in a year. I am quite sure of that.

12090 (*Dr. G. S. Buchanan.*) Are you aware if Dr. Conolly Norman ever wrote on the subject at all in a medical paper?—No. It only came under my notice as a matter of business. We were applied to for the whiskey.

12091. (*Dr. Cushny.*) This is largely hearsay knowledge?—No. A customer of ours tendered for the supply of pot still whiskey, and he asked us to give him the whiskey.

12092. But you have no knowledge of why it was changed?—No, I merely state the fact.

12093. It may have been that Dr. Conolly Norman consulted his patients who wanted a better tasting whiskey than the patent still?—I am unable to give you evidence with regard to his motives.

Adjourned for a short time.

(*The Witness.*) There is one thing I wish to explain. I have personal knowledge of the results of drinking good whiskey by the poor. In my own parish where my office is situated there is an organisation which numbers over 800 working men who are all sober men, but few of them are teetotalers. The attendance is extremely large, and it fills the church. I should say the average attendance is fully 90 per cent. all the year round. They are all working men, and sober men. They all get good honest Dublin whiskey, and the result is that they enjoy themselves. I think there are twenty-three parishes in Dublin. In Rathmines, where I reside, there is an organisation, but not so large, and the same result is obtained. In Rathmines there is a temperance organisation composed of the working men of the parish, which is also very small in number. These men are not teetotalers but sober drinkers.

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12094. (*Dr. Cushny.*) Do they drink as much pot still whiskey as those drunkards do?—These men are not drunkards. They are sober, moderate drinkers.

12095. (*Mr. Guillemard.*) You told us that you come here as a business man, and I take it that you are prepared to substantiate these statements which you make in your *précis*, by which I mean you have something to go on as evidence of the statements you make. I should like to ask you a question continuing the line Dr. Cushny has taken. I want, if I might suggest it, that you should give me quite short answers to my questions. You say in your *précis* that as a Poor Law Guardian, and a member of a charitable society, you are aware that the worst forms of drunkenness with resultant violence and crime might easily be traced directly to the use of new patent spirits. What direct evidence have you of that?—My own experience.

12096. Your experience to prove anything must be that you are acquainted with an individual, that you know that he has indulged in violence, and committed a crime, and that you know he was brought to a state to commit that crime by drinking new patent spirit. You have to know all those facts about that individual before your evidence is of any value. Do you possess any such knowledge?—Only a general knowledge.

12097. Have you any knowledge of one individual with regard to whom you can say that?—I think so. I have my own experience of visiting the poor in their homes.

12098. Then you make a similar statement with regard to Dublin which happens to be a city I know pretty well. Can you give any definite instance? Can you give us an instance of a person and of a particular crime that he committed?—Not for the moment. I am quite clear about the matter from my own experience.

12099. Could you reflect on the matter and send it in writing to the Commission?—Yes, I think so.

12100. What the Commission feel is that perhaps your statements here would carry more value if you could produce some facts to support them?—I could if I had an opportunity of going back on the books of our organisation.

12101. You would then be able to send something in writing to the Commission?—Yes.

12102. We will leave it at that. Then with regard to Dublin. You have committed yourself to this statement, and I should like to know if you really wish it to go on the Notes as your considered opinion. These are your words: "If there is any intemperance now in Dublin it is undoubtedly due to the selling of new patent whiskey." That statement amounts to saying that no drunkenness in Dublin is due to pot still whiskey. Do you seriously wish that statement to be put on the Notes?—Not in that form.

12103. You made it in those words?—That is a misapprehension I meant drunkenness accompanied by violence.

12104. Do you wish this should stand on the Notes as your opinion: "If there is any intemperance in Dublin which takes the form of violence it is due to indulgence in patent still whiskey, and none of it to indulgence in pot still whiskey"?—No, not so far as that. That would be an extreme statement that would not be accurate.

12105. Then your qualification that in referring to patent still whiskey you had in mind only drunkenness leading to violence carries no weight. Do you admit that?—No, I do not.

12106. When you get to the possibility of lunacy following from indulgence in drink you say in your *précis* that an acknowledged authority on mental diseases, discovering patent still spirit in an institution he was connected with, at once stopped its use and got pot still whiskey instead. I do not think the authority you are referring to can be Dr. Conolly Norman, because you mention him again three lines later on in your *précis* in a different capacity. Could you tell the Commission who is the acknowledged authority on mental diseases who took the action that you refer to?—I refer to Dr. Conolly Norman.

12107. Then you go on in your *précis* to say: "As used in Ireland the new patent spirit is held to be responsible for the increase in lunacy by such authorities as the late Dr. Conolly Norman, of Richmond Lunatic Asylum, Dublin." Has he ever stated in writing that he attributes the increase of lunacy to a spirit that is both patent and new, or have you merely some vague memory that he did not like the patent spirit?—I have a recollection of a statement over his name in print in which he attributed the lunacy in Ireland to drinking new bad spirits.

12108. Your statement is: "New patent." Do you wish to add the word "new bad"?—Yes. That is the impression he conveyed to me.

12109. Did he also convey the impression that though this result followed from patent spirit it did not follow from the use of new pot or old pot? Did you gather that from what he said to you?—I did, because from my knowledge of the business it is impossible to drink new pot still.

12110. Is there any record of what passed between you and him? Did he ever put his views into writing in any form?—I think I read them in some print.

12111. The Commission would find it most valuable if you could look up the reference in print and furnish it to them?—I think that is possible.

12112. You say in your *précis*, "It"—that is new patent spirit—"is undoubtedly responsible for drunkenness," and you imply that pot still spirit is not. I may mention that of the numerous witnesses before this Commission hardly anyone has expressed so definite a view. May I ask whether you have anything direct on which you found so very definite a statement?—My experience of the trade in Ireland going amongst the licensed trade closely for years.

12113. Experience, to be of any value in this connection, must be that you observed an individual before and after he did something reprehensible, and that you can connect his action with the fact that he has taken new patent spirit. Have you any real instance of that that you could let the Commission know?—Not so closely.

12114. (*Dr. Horace T. Brown.*) You speak in your *précis* of the superiority of whiskey made from Irish grown cereals?—Yes.

12115. Can you distinguish between whiskey made from Irish grown cereals and whiskey made from materials grown out of Ireland?—I think it is possible, because we know of cases where distillers in Dublin made almost all their whiskey from foreign materials; the whiskey was wrong, they lost their business, and they had to close.

12116. You say in your view foreign grown grains distilled in a pot still in Ireland will not give the same article exactly?—That is our belief.

12117. Is the difference such that you could distinguish them?—Yes, side by side, I think it could be possible for an expert to distinguish them. There is a delicacy of flavour and aroma with the home grown that you do not get in the foreign.

12118. You said that, in your opinion, the Irish whiskey trade has been to a large extent destroyed by the practice of blending?—I think I said "injured."

12119. At any rate, it has been much influenced for the worse by the practice of blending?—Yes.

12120. Does it not strike you as a curious fact that the Scotch distillers, almost all of them, consider that the popularity of Scotch whiskey is due to this very same blending which you condemn?—I am aware of that, but the circumstances are entirely dissimilar.

12121. How do you account for that?—In the dissimilarity of the different makes. The Irish pot still is so made that it comes out lighter than the Highland malt whiskey. Highland malt whiskey is heavy. Irish pot still is not heavy; it is lighter in itself, and it is not capable of improvement by adding any patent to it.

12122. Do you not think the decrease in popularity of Irish whiskey may be traceable to some other cause than the blending?—I am unable to think of any cause so effective as the blending.

12123. (*Chairman.*) I understand you to say, speaking positively, that a good deal of the intemperance, or call it drunkenness, accompanied by violence and other evils, is due to excessive drinking of new patent still whiskey?—I do.

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12124. The Commissioners agree with you that any excessive drinking of spirit may produce those results, may it not?—Yes.

12125. Your evidence to be of any value must go to the extent of showing that, if a person had drunk the same quantity of pot still whiskey of the same age as he drank of patent still whiskey, he would not commit these crimes, and would not be intoxicated. Is that your position?—It is.

12126. Now let us test it. I want you to give us any case in either general or specific terms of two persons, one drinking a quantity of patent still whiskey and the other drinking the same quantity of pot still whiskey, both whiskies of the same age, where one became drunk and the other remained sober?—I cannot give you an instance in that form.

12127. In what form is it? You are asked to bring home the statement that you have made?—My experience of drunkenness in Dublin is that it is mainly due to drinking at late hours in shebeens—illicit drinking.

12128. We know that when a man drinks whiskey, brandy, gin, or rum to excess at early or late hours he gets drunk, and that is an evil. What I want you to give me if you can is any instance of cases where one man has drunk a certain quantity of patent still whiskey of a certain age—never mind what age—and another man has drunk the same quantity of pot still whiskey of the same age, and one has become drunk and the other remained sober?—I could give you no instance of that. I have no experience of that.

12129. Then on what is it you base your general statement, that patent still whiskey is answerable for the crime of drunkenness in Ireland?—That is our belief in Dublin.

12130. I want the facts upon which you base that belief. What is it that you, as a man of business, coming here to give evidence, base your statement upon?—We see drunkenness around us in Dublin, and it mainly arises in certain districts from the night houses—illicit houses; in those places they sell the cheapest and worst whiskey they can get.

12131. Is your knowledge geographical? Is it that in certain districts in Dublin there are houses that sell nothing but patent still whiskey?—I do not think so.

12132. Then if it is not so, if they are selling both kinds of whiskey, why do you trace the drunkenness to the patent still whiskey and not to the other kind?—The drunkenness arises in those other houses.

12133. Do they not sell both kinds of whiskey?—I do not understand clearly.

12134. Are there, to your knowledge, houses where they sell nothing but patent still whiskey?—There is no such house in Ireland.

12135. If that is so, how do you know that because those houses exist in the district that drunkenness and crime result from drinking the patent still and not the pot?—In those houses they get this cheap whiskey, and drunkenness results in those irregular houses and shebeens—they get the patent whiskey. They buy the cheapest whiskey and sell it, and it produces this violent drunkenness. It is the cheapest whiskey they can get.

12136. Why do you say that is patent still and not pot still?—I presume it is the patent still.

12137. That is presumption?—Yes.

12137*a*. You say there is no house in which only patent still is sold?—I think the night houses sell nothing else.

12138. Do you know of them?—Yes. I know they exist in Dublin.

12139. In the first place, you attribute this drunkenness, violence, and crime to the patent still whiskey?—Yes. In certain well-known districts in Dublin where the irregular characters live.

12140. Where are they?—In the low neighbourhoods.

12140*a*. Will you give us the name?—In the neighbourhood of Mecklenberg Street.

12141. Is it your idea that in such district the public-houses are selling——?—No, not the public-houses.

12142. What are they?—Illicit houses—shebeens.

12143. Do they escape the observation of the police?—No, they are constantly brought up and fined.

12144. You know of them?—Yes.

12145. And the police know of them?—Yes, the police know of them, and they try to suppress them.

12146. Why do they not, if this patent still is so bad, get the cheaper class of pot still whiskey?—They buy the very cheapest they can get in Dublin, and that is patent.

12147. If that is so, and they get down to that, is it not wretched low class stuff?—There is no pot still in Dublin of that low class.

12148. If you get down to that price must it not be a very very inferior article?—It is.

12149. Are you not proceeding upon the inferior kind of patent still whiskey rather than fair patent still whiskey?—Yes, I think so.

12150. You attack the general character of patent still, and now it is brought down to the fact that what may have been complained of is the inferior low class quality of that particular class.

12151. (*Dr. Adeney.*) What is the minimum age of pot still whiskey sold in Ireland in the poorer districts?—The average?

12152. Yes?—The average is about four years.

12153. Nothing less than four years?—Very seldom under four years.

12154. Can the ordinary working man afford to pay for pot still whiskey of that age?—Decidedly. He would get very good pot still whiskey for 3½d. per glass in the average public-house all over Ireland.

12155. (*Dr. G. S. Buchanan.*) What is the measure of the glass?—Eight of them go to a pint.

12156. Then it would be 3½d. for ⅛ of a pint?—Yes.

12157. The ordinary strength?—Yes, the ordinary strength 25 u.p.

The witness withdrew.

Mr. J. C. L. Peters, called.

Mr. J. C. L. Peters.

12158. (*Mr. Guillemard.*) I think you are managing director of Messrs. John Crabbie & Co., rectifiers and wholesale whiskey merchants, Leith?—Yes.

12159. You have been in the trade for upwards of 30 years?—Yes.

12160. I gather that to-day you come before the Commission not so much as a whiskey merchant but as a rectifier?—That is so.

12161. You wish to give evidence with regard to sections 69 and 74 of the Spirits Act of 1880?—Yes.

12162. Section 69 of the Spirits Act of 1880 says: "A distiller or rectifier may, in accordance with the prescribed regulations, and on giving to the proper officer, or the authorised officer of Customs, one day's notice, add any sweetening or colouring matter, or any other ingredient, to any spirits warehoused by him in an Excise or Customs warehouse." That is an operation which is allowed to be done in bond on spirits for export, but not on spirits for home consumption?—That is so.

12163. Certain witnesses who have appeared before the Commission have suggested that that permission to do these operations in bond for export should be repealed?—Yes.

12164. You come, I understand, to combat that view?—Yes.

12165. Will you kindly tell the Commission your opinion on that point?—The rectifiers of Scotland find it absolutely necessary for their business that they should be allowed to add colouring or sweetening

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matter and other ingredients to spirits in bond for exportation in the shape of cordials and sweetened gin and bitters of all kinds.

12166. Why do they have to add that in bond?—On account of the duty.

12167. With whom do they compete in the foreign market? Would it be the foreigner?—Yes, I should say so.

12168. You mean if they were not allowed to do it it is possible they might be cut out by people doing these operations in foreign countries?—Yes, I think so. We had a meeting of rectifiers, and that was the opinion.

12169. Was your meeting the result of the evidence that you saw that has been given before this Commission?—It was. At that meeting all the rectifiers were present.

12170. All the rectifiers?—Yes, so far as we know.

12171 How many of them?—Six—that is all the principal rectifiers. I do not know whether there are any others or not.

12172. Does that represent a very big trade?—It was estimated at the meeting that it represented a trade of 200,000 to 300,000 gallons a year.

12173. Would you like to put it in that form, or would you wish to make that statement more elaborate?—I do not think so. That was the estimate at that meeting.

12174. That is the trade in Scotland only?—Yes, the trade in Scotland only. We do not know about the English trade.

12175. These six people who deal with the trade in Scotland practically represent the interests involved?—Practically they do.

12176. Perhaps you would go on with your explanation of how the repeal of that permission would affect you injuriously?—We think it would affect us injuriously on account of the fact that we would have to use duty-paid spirits in the manufacture of our goods, and if other countries had other privileges they would cut us out.

12177. (*Dr. Adeney.*) Is your foreign trade a large one compared with your home trade?—Yes, it is a very large trade.

12178. (*Mr. Guillemard.*) Do you remember that certain blenders who came before this Commission thought that the removal of this privilege would be an advantage to themselves? Do you see how that would be so?—I do not see how that could be so, as spirits treated in that way cannot be exported as whiskey.

12179. (*Dr. G. S. Buchanan.*) Would you explain how that happens?—According to the Excise laws all the casks must be marked as "compounded spirits" or as "mixed spirits."

12180. Does that hinder the exporter from representing that his cask contains Scotch whiskey when he sends it away?—Yes, because it is marked on the casks.

12181. (*Dr. Cushny.*) What is marked?—Either the words "British compounds" or "mixed."

12182. (*Mr. Guillemard.*) Neither of which could be mistaken for whiskey?—That is so.

12183. Have you put forward your case on that point, do you think? Have you anything else to add?—Yes. We wanted to let the Commission understand that some section of the trade did take advantage of that clause in the Act, and it was very important for their interests that it should be continued.

12184. Have you any knowledge of the extent of the trade in England or Ireland?—I do not know what the extent is in England or Ireland.

12185. Do you know whether the rectifiers in England or Ireland are taking any steps to let it be known what their views are?—I do not know if they have been aware of the fact that this is before the Commission. They may not be aware of it.

12186. Do not people in the trades interested read the evidence? They are expected to?—I think there is a general impression among a lot of people that it only applies to whiskey, and they are paying no attention to it. If their attention were drawn to it, no doubt they would take steps.

12187. I have no doubt that your evidence will now call their attention to it?—Probably it will draw their attention to the fact.

12188. Now a question with regard to one or two other points that are not in your *précis*. I should like to ask your opinion as to the effect of the suggestion that has been made by many witnesses that there should be allowed a compulsory period for the ageing of spirits, and that no spirits should be allowed out of bond under a certain age. That, I can see, possibly might affect you from a rectifying point of view?—Yes, from a rectifying point of view we think that some arrangement should be made for spirits being got out of bond earlier because no improvement would be made in the spirit by keeping it.

12189. In other words you ask if the Commission recommend an age limit that spirits destined for rectification should be exempted from it?—Yes.

12190. Mainly on the ground of cost to yourself?—Yes, and that there would be no improvement of the spirit by keeping it.

12191. In other words that there would be no justification for keeping it?—Yes.

12192. There was another point raised, namely, the question of the mixing of foreign and British spirits in bond for export. That is done for export but not for home consumption. Have you any knowledge of that?—I have no personal knowledge, because as far as I can ascertain it is not done in Leith, but I know it is done in the shape of mixing.

12193. In Scotland?—Yes.

12194. Do you know if the trade amounts to anything considerable?—Yes, to a fair quantity. I should say possibly as much as the compounded spirits.

12195. Do you know at all what, as a rule, are the spirits that are mixed? I am asking you, but perhaps you do not know for certain?—British spirits mixed with rum.

12196. Where do they go to?—They go to various countries, principally Queensland and West Africa, I think.

12197. For native consumption?—I do not know.

12198. Do you know what they go out as?—As British rum.

12199. They go out mixed?—Yes, but it is marked "British rum" as well.

12200. It is British rum? When you add "British" to the word "rum" is that meant to be praise or condemnation applied to "rum"?—I do not know personally. It is made to suit certain markets.

12201. You think possibly there is a considerable trade in the mixing of British and foreign spirits in bond for export?—One of the members of the meeting stated that that was so.

12201*a*. At your meeting?—Yes.

12202. The Commissioners have had no evidence on that. There has been a demand made that that privilege should also be taken away, and we have heard no evidence against it?—The member informed us that there was a considerable trade in the mixing of British and foreign spirits in bond for export, and it was required for Australia that it should be marked "Product of Great Britain and West Indies."

12203. Did that satisfy the Australian requirements?—Evidently.

12204-5. (*Dr. G. S. Buchanan.*) The objection that has been made here to continuing the practice of allowing sweetening or colouring matter to be added, and the other objection to allowing British and foreign spirits to be mixed in bond has been made entirely on behalf of the whiskey trade?—Quite so. If anything can be done to protect the whiskey trade in that way, while also protecting our interests we are at one because we are all largely interested in the whiskey trade.

12206. The whiskey people found themselves in a difficulty because this power to mix in bond for export was used against them in connection with foreign food laws, especially by the United States?—Yes.

12207. The whiskey people have told us that they never make use of this privilege?—That is so.

12208. Do you know of their making use of it at all?—I think it is never made use of as regards whiskey.

12209. So that really the difficulty to a large extent comes from the fact that all these spirits are classed together officially for Excise purposes as "British plain spirits"?—Yes, that is so.

12210. If there was a compartment of the "British plain spirits" called "whiskey" and the difference as regards the addition of sweetening or colouring matter in bond or the difference of mixing British and foreign spirits in bond was confined to the whiskey, you would have no objection as a rectifier?—None whatever.

12211. As regards rectifying, what is your material for rectification ordinarily in Scotland?—Spirits got from the distillery.

12212. That is to say grain whiskey?—Yes.

12213. Do you buy exclusively from Scotland? Is it the practice of rectifiers in Scotland to buy grain whiskey only from Scotch firms?—So far as I know.

12214. That is a matter of convenience, I suppose, rather than anything else?—Quite. We would buy English or any spirits for rectification.

12215. (*Dr. Adeney.*) It is a matter of price, I suppose?—Entirely.

12216. (*Dr. G. S. Buchanan.*) For your purposes—for rectifying purposes—it is desirable to get the spirit new?—Yes.

12217. At least there is no object in having an old spirit?—No.

12218. Your only objection, as I gather, to a compulsory period of maturing for whiskey is that it might operate, if there was not some safeguard, prejudicially to the rectifier by making him have to buy two-year-old spirit?—That is the only objection.

12219. If that were met, you would have no objection?—None whatever.

12220. Would it be possible to earmark spirit in any way that was required solely for rectification, for example, to colour it?—I do not know. I am afraid it would be rather difficult.

12221. I did not quite understand you with regard to the exporting of whiskey. If you export whiskey or if you export a spirit which is a compound of British and foreign spirits it must be marked "compounded." Is not that so?—Yes, or "Mixed."

12222. Supposing a man were sending out whiskey that had been mixed with foreign spirits would there be anything to prevent his invoicing that to his customer in America, we will say, as Scotch whiskey? On the cask it is marked as compounded or mixed, I understand, but can he invoice it to his customer or mark the cask in any way as Scotch whiskey?—He cannot mark the cask in any way.

12223. He can invoice it as he likes?—Anybody can do that.

12224. In the same way with regard to British rum that you were telling us about. Is "British Rum" marked on the cask when it goes out to Queensland, for instance?—So I was informed at the meeting by one of the members who sends it out. I have no personal knowledge of it.

12225. He is allowed or required to mark British Rum?—He is required to mark British rum.

12226. And if he says "Produce of West Indies and Great Britain" or "Scotland"?—No, in fact they would not allow "Scotland" and they changed it from "Scotland" to "Great Britain."

12227. May he mark on the cask "The produce of the West Indies and Great Britain?"—Yes, he does that to meet the Australian laws.

12228. There is no objection made to that?—I understand not.

12229. Can you tell me whether in making cordials and articles of that kind grain spirit is ever used by itself without rectifying?—I cannot tell you. As far as I am aware it is not.

12230. We had some evidence that grain spirit was used, for example, by manufacturing chemists?—I think it is all rectified spirit that they use.

12231. We had one witness who gave evidence to the effect that grain spirit was sold direct without rectification to manufacturing chemists?—It may be.

12232. I wondered whether that was in your experience?—No. We sell chemists rectified spirit always.

12233. (*Dr. Adeney.*) You sell whiskey, do you not, as well as rectified spirits?—We do.

12234. Do you sell patent still spirit as whiskey?—We sell blended whiskies.

12235. Do you use the same class of patent still spirits for blending as you do for your rectifying business?—No.

12236. Could you tell us what class of grain spirit you use for your rectifying business?—We use the cheapest spirit we can get. It does not really matter to us in a sense.

12237. Is that the product of yeast distilleries, do you think?—I cannot tell you.

12238. You cannot give us that information?—I cannot tell whether it is the product of yeast distilleries or not.

12239. (*Dr. G. S. Buchanan.*) The spirit that you use for rectifying is from the same distillery as that from which you get spirit for mixing the whiskey? It might not be the same whiskey with regard to age, but I understood from you that it is the same whiskey as regards its origin from a particular distillery?—Yes, the distiller sells for both purposes, but whether they make it from the same material or not I do not know.

12240. (*Dr. Adeney.*) They sell at different prices?—Yes.

12241. For blending purposes do you take care that you get a spirit wholly produced from malted cereals?—We believe it to be.

12242. You wish it to be?—Yes, we wish it to be.

12243. But you are not concerned as to what are the materials used before the spirits are used for rectifying?—No, it does not matter, because the rectifying process takes everything out of it and leaves it as near as possible only alcohol.

12244. You are not a distiller?—No.

12245. You cannot tell the class of distillery from which the class of spirit you use for rectifying comes?—No.

12246. You regard it as too poor a quality for blending with your whiskey?—We do.

12247. Have you any reason to believe that that whiskey that you use for rectifying is sold in the market as whiskey?—I have no reason to believe it to be. I do not know.

12248. (*Dr. G. S. Buchanan.*) I will put to you a concrete instance. Would you, for instance, buy a grain spirit for rectifying from the Distillers Company or from the different distilleries of the Distillers' Company?—Yes.

12249. From one distillery or another owned by that company?—Yes, from any distillery they like to supply it from.

12250. Or from either of the other patent still Distillery Companies that there are in Scotland?—Yes, or in England.

12251. You do not specify in those purchases that it is specially for rectification?—Yes, we do.

12252. Do you understand from that that there is any special method of preparation of the spirit for your own purposes?—I think it is quite probable that they make it in a cheaper way, or something of that kind.

12253. (*Mr. J. Y. Buchanan.*) I suppose the patent still distillery supplies to you the spirit almost direct from the still?—Quite.

12254. Because that is the cheapest way of getting it?—That is so.

12255. Then you rectify it, and all you want to get out is the alcohol?—Yes, that is so.

12256. And from that you make the product known in the Pharmacopœia as rectified spirit?—Yes.

12257. What is the strength of rectified spirit?—About 66 o.p.

12258. Then it has quite the same value wherever the spirit comes from? It might be foreign spirit?—Quite so.

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12259. There is no reason why it should not be if it is cheaper?—None whatever.

12260. You get all the distinctive quality out of the spirit if it has such?—Yes.

12261. If it is potatoes, if it has any fusel oil in it, you get rid of that?—Yes, we get rid of that by the rectifying.

12262. You want nothing but the alcohol?—Yes.

12263. When the spirit is sweetened and coloured in bond and then exported, does it carry a certificate of the Excise or a statement of the nature of the contents on your cask? Has it any Excise guarantee?—It has the marks on the casks.

12264. And the foreign purchaser looks upon that as a Government guarantee of the contents?—I should think so—it is "British compounds," or it is "Mixed spirits."

12265. What I meant was is there a statement of the nature of the mixture—the proportions?—No, there is not.

12266. I understood the blenders of whiskey to object to the continuance of this because their customers consider that if they got such a statement from the Excise it was like a Government guarantee for the whiskey that our laws do not allow the whiskey to be so exported. Is not that so?—I do not quite follow you.

12267. I think in the United States if you export gin, let us say, that you have made in bond, it contains a statement or a certificate from the Excise that it is a spirit of a certain character, sweetened or coloured?—It contains it on the cask.

12268. Only on the cask?—Yes.

12269. I understood that the complaint made by the United States people, for instance, was that when they get whiskey out of bond it contains no such statement?—I do not think they quite understand in the United States that it does not apply to whiskey.

12270. I suppose in your trade you get patent still spirit in Scotland, but it would never occur to you to get pot still whiskey to make rectified spirit from?—No, on account of the cost.

12271. Would it not also be on account of the greater amount of labour?—Yes, it would take more rectifying.

The witness withdrew.

r. W. H. Chaplin.

Mr. W. H. CHAPLIN, called.

12272. (*Dr. G. S. Buchanan.*) You are managing director of W. H. Chaplin and Co., Limited?—Yes.

12273. They are wholesale wine and spirit merchants, of 35 and 36, Mark Lane, and 10, Villiers Street, London?—Yes.

12274. How long have you been in the trade?—Forty-one years.

12275. Your firm's business is that ordinarily known as a "market house" business?—Yes.

12276. Perhaps you will tell us what that means?—It practically means that we hold stock for other merchants to draw from as and when they want it, and in whatever quantities they may want it. We also, of course, do a certain amount of what is called brokerage business. We are agents for part of England for some distilleries, and we are blenders of Scotch whiskey, and we are also agents for sundry foreign houses.

12277. Your principal dealings I suppose are with the bottle trade, are they not?—No, I would not say that. A large part of the market house business is in cask.

12278. In your *précis* you give us some notes with regard to the use of the name "Whiskey." In reading those through it appears to me that you give us considerations that we have had from a great number of witnesses?—That would necessarily be so.

12279. As to the first two pages of your *précis* I am not sure that we need trouble you unless there is anything you very specially wish to bring to our notice?—I particularly wish to bring to your notice that both pot still and patent still have always been classed as whiskies. I have with me here one list of ours 17 years old which shows that, if I may put it in.

12280. Certainly. (*The same was handed to the Commission.*)—Of course, to-day the same thing is done. I have here also a copy of our list referring to our bulk whiskies which I will put in. (*The same was handed to the Commission.*)

12281. The principal point you wish to make is that in this list of 1891 you classify whiskies that you had on hand at a particular time, and offered in your price list as Highland Malts, Islays, Lowland Malts, Campbeltowns, and Grains, and that also you had certain standard blends?—Yes.

12282. Then with regard to Irish whiskies, you had a series of Irish whiskies which, I think, in this particular list are all pot still whiskies?—Yes. As a matter of fact we had very little business in Irish patent still. The bulk of that is handled by the big blenders in Belfast specially, and there is very little trade in it over here because few merchants made their own blends of Irish whiskey until, perhaps, recent years, whereas many used to make their own particular blend of two, three, or four or half a dozen different Scotch distilleries, and therefore stocks of all those had to be held along with grain of the necessary age.

12283. In common with some other witnesses who have given us evidence you have had experience that recently retailers put on sale fresh lines of all malt whiskies and did not find that they were very popular or successful with the trade?—That is so. Many of them came and asked us to take the stocks back again.

12284. Will you now give us your view with regard to the question of a compulsory age limit?—If I may interpose a word, I would say that the one point I wish to emphasise in my evidence on the first page of my *précis* is that until blends were introduced Scotch whiskey was practically an infinitesimal trade, that in the beginning, forty years ago, the sales of Irish whiskey were many times larger than those of Scotch whiskey. I attribute that largely to the fact that Irish pot still whiskies are on the whole essentially lighter in character than the bulk of the Scotch pot still whiskies made from all malt, and that for the reason that the mash has so large a proportion of unmalted grain in it; with the Irish the blend was practically made in the still.

12285. You would agree with some witnesses who have insisted to us that the Irish pot still whiskey is more adapted for use as a self whiskey than the ordinary Scotch pot still whiskey of the present day?—Certainly, especially when it is of moderate age. When the Scotch blends began to be introduced there was an immediate turning over of business; the Irish went down and the Scotch increased enormously.

12286. Do you recognise that there are, at all events, certain Scotch pot still whiskies which as self whiskies are very satisfactory?—There are some which are very satisfactory, and in a sense for certain purposes I hold that the pot still whiskey is greatly superior to the patent. If you have got a sick man and you want to give him a strong stimulant I would say administer a good pot still whiskey of eight or ten years old. But the bulk of the Scotch whiskey trade is not of that kind—it is in the long drink. Men take it with their meals, and in the smoking room, and they want a light and digestible drink, hence the popularity of the blends. I may say that our experience is certainly that the most popular whiskies are those which contain a very large proportion of grain, some of them as much as 60 per cent. Of course, as to very cheap whiskies it goes without saying that some of them are nearly all grain.

12287. In your experience some whiskies of high quality may contain as much grain as 60 per cent?—Certainly. The pot still must be old. I do not attach much importance to the age of the patent,

because from all I have seen of the consumption it goes on very well with comparatively young patent. I read pretty carefully the evidence given before the 1890-91 Committee, and that certainly seemed to me to point to the conclusion that patent still whiskey young was practically as wholesome as it was when old. Of course, as a merchant, I know there are a certain number of patent still whiskies that develop nice flavours when they are kept for a certain time, and that therefore it is to the merchant's advantage to keep them because he gets an extra price for them.

12288. I think you have given now what you specially wish to bring out in your evidence. Would you now go to the question of a compulsory age limit and give us your views on that?—I have always held that mere compulsion would effect no good. It would to a large extent result in giving the hall-mark of so-called Government approval to anything which was, say, two years old, if your limit is to be two years old, so that a mixture of the cheapest and nastiest pure pot still whiskey with the cheapest and nastiest grain whiskey would have precisely the same certificate to go with it to the public as the product of, say, an eight or ten years' old malt and a five or six year old grain.

12289. I do not think the proposal has been made to us that any certificate should be given with regard to whiskey kept for two years. The suggestion is that no whiskey should go out under two years old?—Yes, but still it would go with the approval of the authorities, and that would give it a standing in the eyes of the consumer, and it would enable anyone to label that product as having complied with all the requirements of law and would help the sale of bad stuff for the time. Of course, that would right itself because the public is, after all, a very keen judge of quality, as many big Scotch blenders have known to their cost; when they have attempted to take advantage of their reputation and have let their quality down the public have promptly turned over to another blend. I do not think the age limit would do any good, and it would certainly harm our export trade materially.

12290. Will you tell us about your export trade? Is there a large export trade in new spirit under one or two years old?—I think there is a considerable trade, and if the Trade Mark regulations were perhaps better in countries to which we exported it might be larger, but at present, of course, there is a very strong foreign competition where they send the cheapest articles labelled, unfortunately, as British spirits.

12290*a*. That is an export trade in what is called Scotch and Irish whiskey, is it not?—Certainly.

12291. I suppose to a large extent that is new grain whiskey, the cheapest variety that you speak of?—The very low price stuff for certain markets.

12292. Do you think, as a matter of practical experience, that cheap new grain whiskies going out abroad as Scotch and Irish whiskies have a damaging effect upon the better class of Scotch whiskey?—Undoubtedly, and for that reason I would like to see a certificate as to the age of a blend given by the Excise. I do not see why it should not be. I do not see myself any practical difficulty, and it would be a very material help to the trade of the country both for home and export.

12293. To return to the question of age, I understand you would prefer a graduated duty?—I made that suggestion as long ago as the previous Committee of 1890-91. I think it would meet the matter that the duty should be differentiated to such an extent as, at all events, just to pay the merchants for the expense of the evaporation and the interest on his cost price.

12294. I gather you are not averse to any means that could be taken to secure that better age was given with regard to the generality of whiskey?—I think at home good age is being given. As I said, the public differentiates the quality.

12295. You are thinking mainly of the export trade. In desiring to see some encouragement given for maturing spirits for a greater length of time you are speaking of the export trade?—No, that would apply especially to the home trade. No doubt there are many blends distributed now at a young age which would, with that differentiation, be made up of older whiskies and would therefore be better for the consumer.

12296. (*Dr. Adeney.*) The public would be distinctly the better off, and they would gain?—The public would certainly gain.

12297. (*Dr. G. S. Buchanan.*) With regard to a standard of quality, I understand you are opposed to the notion that the term "Scotch whiskey" should only be applied to blends when they contain certain proportions of malt whiskey?—Yes. I think that would be ruinous to the trade.

12298. You are there speaking of "Scotch whiskey" as applied solely to spirits which do contain that proportion of malt, anything under that proportion of malt not being called Scotch whiskey at all?—I do not approve of any such limitation. I would leave that entirely to the merchants' own interests.

12299. Supposing there was no question of denying to the spirit the term whiskey, would you have any objection to another sort of distinction; for example, if over 50 per cent. of grain was present in a blend, the description given should be a term like Scotch grain blended whiskey. Would you seriously object to that?—It would puzzle the public and make them generally discontented with their liquor without giving them any assurance of good quality. As I say in my *précis*, any such regulation would fail to assist the consumer in obtaining better whiskey, but would, on the other hand, assist in the distribution of faulty blends. There are some 150 pure malt distilleries with varying flavours and values, and the various patent still makes also vary very much in quality and cost; and even in the same distillery one period differs, sometimes very materially, from the next. Under any such regulation as has been suggested (say 50 per cent. of each kind), a blend of the cheapest and nastiest malt of two years old with the cheapest and coarsest grain could be offered to the consumer, with just the same guarantee as a blend of the finest whiskies of either kind.

12300. Then I think you further wish to object, and I think the Commission have got the grounds which you wish to urge pretty well, to any standard which might be set up by chemical analysis?—Certainly.

12301. I do not think we need trouble you to go into that because we have had that from so many other sources?—Certainly.

12302. There is one question I want to put to you on a matter that is not mentioned in your *précis*. Have you experience of packing whiskey for export?—Yes.

12303. I read a statement in a trade paper as to cases of whiskey containing a dozen bottles that were put up in the ordinary way for export and delivery f.o.b., the bottles being labelled and provided with the necessary corks, capsules, and that kind of thing, that the cost of the case and the bottles and the cost of labelling and bottling and delivery, should be taken as somewhere about 3s. a case. I want to know your experience of that, and whether you think that that is approximately correct?—By the time they are put free on board do you mean?

12304. Yes, not making any allowance for the cost of the spirit?—I do not think 3s. would cover it, and I should be inclined to put it nearer 4s. 6d. if the work was done in London, at all events.

12305. This was delivered in Glasgow?—In Glasgow they undoubtedly work cheaper, and their regulations enable them to do that. They have very cheap cases there, and they are nearer to the bottles.

12306. Three shillings would perhaps be possible in Glasgow?—It might be.

12307. I should like to ask you a question concerning the description of some of the spirits. The article in question referred to a circular which has since been sent to the Commission, and it showed that Scotch whiskey in cases, each containing twelve bottles, about two Imperial gallons, strength 17 to 20 underproof, was being offered at 4s. 11½d. per case for each lot of 2,000 cases. The descriptions in the circular show that the bottles in some of the cases were labelled "Fine old Scotch whiskey." The label is described as: "Thistle label, in green, ruby, black, white, and gold," and "Fine old Scotch whiskey" is branded on the case. In other cases there was "Fine old Highland whiskey," and so on. There is a large

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series of these descriptions which I will not go into as time is short, but the effect of it seems to be that this spirit which obviously must have cost about 2s. for two gallons to produce is described as "Extra special V.O.H. Scotch whiskey," "Fine old Highland Liqueur whiskey," and so forth. Do you think it is satisfactory in the interests of the public that that should go on, and that whiskey should be described in that way?—No, I cannot say that I do. At the same time, that whiskey may be 50 underproof, and therefore may not have cost much more than 1s. for the two gallons. In regard to spirit, everything depends on the strength, especially when you come to deal with duty-paid spirit.

12308. It is 17 to 20 under proof?—I beg your pardon, I did not notice that.

12309. You do not suppose, as a matter of fact, that Highland whiskey can be sold at that price?—No, unless it is faulty. Of course, I have had through my hands very faulty parcels of pot still whiskey which have been sold at ridiculous prices.

12310. (*Dr. Adeney.*) There is one thing I should like to clear up with you. You say with regard to Irish pot still whiskey a mixture of the malted and unmalted grain in the mash tub really produces a whiskey which to all intents is a blended whiskey, and is analogous to Scotch whiskey?—That is my view.

12311. Is that quite correct?—The product is a lighter whiskey which is much more drinkable at two years old than Highland malt.

12312. You know although the mash is mixed in the Irish practice the after distillation process is very different from that of the Scotch?—Yes, I believe that is so.

12313. And that largely affects the flavour?—Yes, and in different distilleries there are different results and different prices.

12314. It is not quite analogous in that case?—I will go on to say, further, that when the Irishmen began to blend their trade again increased very largely. In regard to an age limit I would like to add one word, that in my opinion a great part of the good malt pot still whiskies are entirely unfit to put into consumption until they are five or six years old, so that any age limit of two years would not help us at all.

12315. Do you think that the practice of the Irish blender has been carried to that fine art that it has in Scotland?—No. I do not think their grain whiskies are in general made as well.

12316. (*Dr. G. S. Buchanan.*) I wish to elaborate, so as to get it on to the Notes, a little more clearly the facts with regard to that printed circular that I spoke to you about just now. The circular in question was sent by a firm in Glasgow at the beginning of this year with regard to "Over 2,000 cases of the following in stock ready for immediate shipment—F.O.B. Glasgow." The heading is "Scotch whiskey in cases, each containing twelve bottles, about two Imperial gallons. Strength 17 to 20 under proof. Price 4s. 11½d. per case for each lot; smaller quantities 3d. per case extra." You have told us, I think, that about 3s. per case would not be perhaps an unreasonable price for bottling, packing, labelling, and so forth?—I think that would be the minimum even in Glasgow.

12317. Then we have to deal with a spirit which cost 1s. 11½d. per case, that is to say, per two gallons?—Yes.

12318. I would just like to read you the descriptions that are given with regard to the different cases. There are various headings: "Quantity," "Description of label," "Wording on label," "Neck label," "Capsules," "Cases branded," "Description of bottles." I will take just one or two. The first is "Description of label: grey ground, colour in red and gold." "Wording on label: Very old Scotch whiskey, special blend." "Neck label: half-moon shaped with three gold stars." "Capsules: gold or blue, old Scotch whiskey." "Cases branded: Very old Scotch whiskey, special blend." "Description of bottles: ordinary clear quarts." Then the next one is "Description of label: thistle shaped, white ground and gold border, with Craigdhu Kingussie view." "Wording on label: Fine old Highland whiskey." "Neck label: half-moon shaped, with three gold stars." "Capsules: gold or blue, old Scotch whiskey." "Cases branded: Fine old Scotch whiskey." "Description of bottles: ordinary clear quarts." Then with regard to the Irish whiskey there is one set of cases of Irish whiskey of 12 bottles, about two imperial gallons; strength 17 to 20 under proof; price 4s. 11½d. per case for each lot, smaller quantities 3d. per case extra. Then it says "Description of label: Irish label, green, blue, brown, white or red." "Wording on label: The O'Brien's Munster blend of old Irish whiskey." "Neck label: half-moon shaped with three gold stars." "Capsule: Gold or red, old Irish whiskey," and the case is branded, "O'Brien's Munster blend of old Irish whiskey." "Description of bottles: ordinary clear quarts." Finally there is a residuum of cases each containing 12 bottles, about two imperial gallons; strength 23 to 25 under proof. They are 4s. 9d. per case for each lot of 12 bottles. I am just expanding this question that I asked you just now in order that it should be clear what was in my mind when I was asking you, which is whether you thought descriptions of this sort of liquor, which clearly cannot correspond to old Highland whiskey and liqueur Scotch whiskey, and so forth, are desirable in the interests of what I may call the legitimate export trade in Scotch and Irish whiskey?—They are entirely undesirable, and if any means can be devised for checking them I am sure all merchants who have anything at stake would be very pleased indeed. I am sure that we have met that sort of thing a great deal down in the south here. Large parcels of similarly labelled whiskies have been distributed from time to time at public auctions, and then afterwards, having been bought by certain houses, have been distributed broadcast to the consumer, certainly to the detriment of the whole of the legitimate trade. Sometimes they have had attached to them "8," "10," or "12 years old," or whatever it may be, and I believe the Excise latterly stepped in to some extent to stop some of the worst of those practices in bond. Those were sold in bond down here at 5s. 6d., 6s., 7s. 6d. per dozen, and so on. Some of them were a little better than others, but all poor things of that description.

12319. (*Mr. Guillemard.*) The Excise have taken action where they have had definite knowledge of a false statement?—That is what I understand.

12320. Definite knowledge as distinct from inference?—Yes.

12321. (*Dr. Horace T. Brown.*) The labelling in a case of that kind would, of course, be out of bond?—No, in bond, otherwise, of course, they would have no sale at a public auction.

12322. (*Dr. G. S. Buchanan.*) Clearly in the case that I have mentioned to you it was done in bond?—Yes, that is so, and until recently I do not think there was any restriction against it. For myself, I should like to see not only a restriction on those, but, as I said, the assistance of the Excise in giving a guarantee to those who do bottle legitimate things. I may say of that I have met many examples of nasty things of that kind doing very considerable harm to the reputation of Scotch whiskey on a recent long tour that I took in the East, and certainly in many places they were entirely undesirable specimens that were submitted to me.

12323. Cases of that kind may account to some extent for the action which is being taken by the United States, and by some of our own Colonies under their food laws with the object of getting a better understanding of what Scotch and Irish whiskey is?—I cannot say that I agree with the action in a number of those places. I believe some of the people who are recommending it hardly know enough of the business.

12324. This gives them a handle?—Yes.

12325. (*Dr. Adeney.*) In answering my last question you just dropped a remark that Irish patent still spirit was not so good as Scotch. Can you say that as a matter of fact from your general knowledge, or is it a general idea?—I would say of my own personal knowledge I have never seen a specimen of Irish grain as good as the best Scotch.

12326. Have you had much experience of the Irish patent still grain spirit?—Yes, I have seen a good many of them.

12327. What makes me ask you is that I have heard it stated that some of the Irish patent still grain spirits are particularly good?—Here and there is a good one, but they are not so good as the finest Scotch; in fact, there is none that I would care to drink.

The witness withdrew.

Mr. PETER MCKECHNIE, called.

Mr. P. McKechnie.

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12328. (*Chairman.*) I believe you are senior partner in the firm of Messrs. Bowen & McKechnie?—Yes, I am.

12329. You have been 42 years connected with that firm?—Yes.

12330. You are chairman of the Off-Licences Association and past chairman of the Wine and Spirit Association?—Yes.

12331. What is the business that your firm carries on?—We do a general business as dealers in wines, spirits and liqueurs, supplying wine merchants, off-licence holders and hotels. I believe we are the largest distributors as a market house in that class of business of all the leading proprietary brands of whiskies. We hold stock in order to supply the smaller dealers who draw from us.

12332. Where is your place of business?—Cross Street, Finsbury, E.C.

12333. Your customers number from 3,000 to 4,000?—Yes.

12334. When you first commenced your trade, which you say was 42 years ago, which did you sell more of, Scotch whiskey or Irish whiskey?—Irish whiskey considerably.

12335. In your *précis* I see that you say your sale of Scotch whiskey was almost nominal?—Yes, it was almost nominal in comparison with the Irish.

12336. Was it in the early seventies that the Scotch whiskey began to show itself?—Yes.

12337. To what did you attribute that?—To two causes, I think; one was when we commenced to use grain for blending.

12338. Did not Scotch whiskey begin to show itself before the blending came in?—No.

12339. That you attribute to the blending?—It is to the blending I attribute it, and I think the Scotch houses showed rather more energy than the Irish at that time.

12340. When you first commenced selling Scotch whiskey was it self Scotch whiskey?—We only sold self malt whiskies when I first went into the trade.

12341. When was it the blending came in?—In the early seventies as far as I can remember.

12342. When the attention of the public and your attention was first called by the proceedings that took place in the whiskey prosecution did you in fact introduce a pure malt Scotch whiskey in your connection?—We did.

12343. Did you push that business as much as you could?—We pushed that business to a certain extent, but we found our customers could not sell it, and many wished to return it after a while because the consumers would not buy. They would buy a bottle and take no more afterwards.

12344. Was any reason given to you for the return?—No, except that they could not sell it.

12345. Then did you withdraw that quality?—No, we continued it, but the sale of it was very small in comparison with the others.

12346. Where was that attempt made?—All over the country. We do business in London, and all over England and Wales.

12347. Before the whiskey prosecution did you adopt the plan of labelling most of your blended whiskies?—We did.

12348. What was the nature of the statement you made with regard to that?—I can show you one label which I have here. (*The same was handed to the Commission.*) That was a label we used for the general trade.

12349. That label is this, "Fine old Scotch Whiskey. Guaranteed solely the produce of Scotch Distilleries, being a blend of fine Scotch Malt and Grain"?—Yes. Then I have another here. (*The same was handed to the Commission.*)

12350. That label is, "Certificate of Quality. The 'Glen Alva' Whiskey." What connection has your house with Glen Alva?—It is a brand that belongs to us.

12351. Is it the name of a distillery?—No, a trade name.

12352. Then the label goes on, "The 'Glen Alva' Whiskey is guaranteed to be composed entirely of the produce of well known Scotch Distilleries, being a blend of Fine Highland Malt and Scotch Grain Whiskies. As such, it can be relied on as one of the most wholesome, pure, and delicious Whiskies obtainable. It is well matured by age in Cask, and carefully selected and bottled. Blended, bottled, and guaranteed by Bowen and McKechnie, London and Glasgow." Did you put that on your bottles?—That was on this particular blend, but we had on different blends something similar.

12353. That is the Glen Alva whiskey?—Yes, that one is.

12354. Were those put on all the bottles you sent out?—Yes.

12355. Did you supply these labels to the customers who took the whiskey in cask?—No, the greater bulk of our trade lies in bottled whiskies, and we put those labels on for the protection of the customers.

12356. Do you know of your own knowledge when you send those bottles out with these labels to the licensed victualler, how far the customers ever see the label?—Most of that whiskey is sold in single bottles to the private customer.

12357. You are not speaking of the glass trade?—No, not a glass trade.

12358. You would not know what would happen to the glass trade?—No, we do not do with them.

12359. The bottle speaks for itself?—Yes.

12360. Have you found that your business in blends has increased?—Yes, enormously.

12361. To what do you attribute that?—To the fact that the public prefer a blended whiskey.

12362. That must be so or else they would not have it, but what is the source of their preferring it, do you think?—It is pleasanter to the palate and also, I think, it is more suitable for ordinary consumption. A malt whiskey in my opinion is too heavy to drink continuously, although a glass of pure malt whiskey occasionally is very pleasant.

12363. What is the proportion now of blended whiskies compared with self whiskey?—The proportion we sell is so great that I could hardly give an idea. The proportion of malt sold in bottle is so small.

12364. Would it be 10 to 1?—A great deal more than that.

12365. From your own experience and taste do you prefer a blend?—I always drink a blended whiskey.

12366. What do you say now from your general knowledge of the trade as to the whiskies that you meet in a house? Do you expect to find blends?—Almost universally.

12367. Will you give me your definition of what you would call whiskey?—I should say it is manufactured from cereals malted and unmalted.

12368. Would you draw any distinction in applying the term whiskey to pot still and patent still whiskey?—No, I should not. I should say they are both whiskies.

12369. Of course, you differentiate between Scotch and Irish?—Certainly.

12370. And any other?—Yes, English. I should not agree to spirit made in England being called Scotch or Irish whiskey.

12371. Do you think it would be possible in your blended whiskey to give any detail of the character of the blend so as to communicate it to the customer?—Not beyond that which we put on the label ourselves, which is, "A blend of malt and grain."

12372. I presume you would not allow English whiskey to be blended with Scotch whiskey and called Scotch whiskey?—Certainly not.

12373. As to Scotch whiskey, necessarily for that definition the whole produce ought to be made in Scotland?—Yes.

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12374. Now a question with regard to keeping whiskey in bond. What do you say as to that?—Personally, I have no objection to it being kept in bond, but I should rather prefer it to be kept in bond for a certain period, say, two years, or something of that sort.

12375. In the first place, some whiskies do improve, do they not, in all their qualities by being kept for some time?—I think all do.

12376. There is a difference as between whiskies as to the time that is required to bring them to their best?—Malt Scotch whiskey requires a longer time than grain.

12377. What would you say ought to be the minimum close time during which whiskey ought not to be drunk? Take first the ordinary pot whiskey?—Personally, I think, certainly not under three years.

12378. If that is advantageous to the consumer, how would you enforce that non-drinking for the three years?—It would be compulsorily retained in bond.

12379. Would not that press hardly upon sundry small traders?—I think, as a rule, the small traders buy the whiskey themselves when it is ready for use.

12380. Are those the conditions of delivery?—I think they do not, as a rule, bond the whiskey themselves when it is new to any large extent.

12381. If they took advantage of the young whiskey being cheaper, and sold it to the public, their trade would suffer?—Yes, their trade would suffer, because the public are pretty keen judges.

12382. You would recommend, if it could be carried out, some time limit during which the whiskey should not be drunk?—I do not think it at all undesirable.

12383. (*Dr. Adeney.*) Your classification of whiskies you say would be purely geographical?—Yes.

12384. Would you sell as Scotch whiskey a pure grain whiskey if you were asked for a Scotch whiskey?—As a matter of fact we ourselves do not bottle pure grain whiskey, but we do sell a pure grain whiskey in bottle bottled by the Cambus Distillery. We sell that because there is a demand for it. We sell whatever we are asked for.

12385. (*Dr. G. S. Buchanan.*) Do you sell that as "grain whiskey"?—Yes, as "grain whiskey."

12386. (*Dr. Adeney.*) Not as "Scotch whiskey" simply?—No, as "Scotch grain whiskey."

12387. Do you think it would be right to sell that to a customer as "Scotch whiskey" if he relied upon you as a merchant?—I do not think there is any reason why Scotch grain whiskey should not be sold as Scotch whiskey, but personally we do not do so.

12388. I agree with you as to the qualifying term Scotch whiskey to Scotch grain whiskey?—I think it should be sold as "Scotch grain whiskey."

12389. (*Mr. J. Y. Buchanan.*) Would you consider if you bought Scotch whiskey and it was Cambus that you were being defrauded if it had not been called "grain whiskey"?—Are you speaking to me as a consumer?

12390. Yes, as a consumer?—I do not think so.

12391. It would be a perfectly legitimate expression to call that "Scotch whiskey"?—Yes.

The witness withdrew.

Adjourned.

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Tables handed in by Mr. A. J. Tedder, Chief Inspector of Excise.

I.—DISTILLING SEASON, 1906–7.

(1) Number of Distilleries at work.

England.	Scotland.	Ireland.
8	150	27

There were besides 1 distillery in England (Pot), 12 in Scotland (9 Pot and 3 Patent), and 3 in Ireland (2 Pot and 1 Patent), which did not work.

(2) Distilleries Classified.

(A) According to Stills used.

England.			Scotland.			Ireland.		
Pot.	Pot and Patent.	Patent.	Pot.	Pot and Patent.	Patent.	Pot.	Pot and Patent.	Patent.
—	3	5	137	3	10	18	7	2

(B) According to materials used.

England.			Scotland.			Ireland.		
Malt.	Malt and Unmalted Grain.	Malt, Unmalted Grain, and Molasses.	Malt.	Malt and Unmalted Grain.	Malt, Unmalted Grain, and Molasses.	Malt.	Malt and Unmalted Grain.	Malt, Unmalted Grain, and Molasses.
—	3	5	142	8	—	3	24	—

(3) Percentage of Malt to Unmalted Grain used at—

(A) Distilleries using Pot Stills only.

England.		Scotland.		Ireland.	
Malt.	Unmalted Grain.	Malt.	Unmalted Grain.	Malt.	Unmalted Grain.
...	...	100·0	...	43·9	56·1

(B) Distilleries using Pot and Patent Stills.

England.		Scotland.		Ireland.	
Malt.	Unmalted Grain.	Malt.	Unmalted Grain.	Malt	Unmalted Grain,
24·8	75·2	41·6	58·4	32·9	67·1

(C) Distilleries using Patent Stills only.

England.		Scotland.		Ireland.	
Malt.	Unmalted Grain.	Malt.	Unmalted Grain.	Malt.	Unmalted grain.
24·1	75·9	32·8	67·2	30·5	69·5

DISTILLING SEASON, 1906–7—*continued.*

(4) SPIRITS PRODUCED.

(A) From Malt only.

Country.	Pot Still Distilleries.	Patent Still Distilleries, including those where Pot Stills are also used.
	Proof Gallons.	Proof Gallons.
England	Nil.	Nil.
Scotland	10,510,438	392,000 (estimated)
Ireland	279,728	Nil.

(B) From Malt and Unmalted Grain.

Country.	Pot Still Distilleries.	Patent Still Distilleries, including those where Pot Stills are also used.
	Proof Gallons.	Proof Gallons.
England	—	2,972,733
Scotland	—	14,325,120
Ireland	3,313,446	8,372,607

(C) From Malt, Unmalted Grain, Glucose, &c., and Molasses.

Country.	Pot Still Distilleries.	Patent Still Distilleries, including those where Pot Stills are also used.
	Proof Gallons.	Proof Gallons.
England	—	10,556,964
Scotland	—	—
Ireland	—	—

(5) PERCENTAGE OF TOTAL ESTIMATED PRODUCE DERIVED FROM DIFFERENT MATERIALS, calculated from the returns of materials made by the Distillers.

Distilleries in	Malt.	Unmalted Grain (including Rice).	Molasses.	Glucose and Sugar.
England	10·4	39·8	49·7	·02
Scotland	58·4	41·6	—	—
Ireland	31·6	68·4	—	—
UNITED KINGDOM	39·3	47·4	13·3	·008 (negligible)

(6) YEAST-MAKING DISTILLERIES.

ENGLAND.	SCOTLAND.	IRELAND.
4	7	6

II.—BRITISH SPIRITS.

(1) TABLE showing for the UNITED KINGDOM the NET RECEIPT OF DUTY ON HOME MADE SPIRITS in the period 1896–97 to 1906–07.

Year ended 31st March.	Net Receipt.	Year ended 31st March.	Net Receipt.
	£		£
1896–97	16,816,484	1902–03	19,033,296
1897–98	17,218,906	1903–04	18,667,818
1898–99	17,967,142	1904–05	18,135,931
1899–1900	20,303,147	1905–06	17,765,352
1900–01	20,124,003	1906–07	17,745,125
1901–02	18,490,779		

(2) TABLE showing the NUMBER OF PROOF GALLONS OF HOME MADE SPIRITS DISTILLED IN EACH PART OF THE UNITED KINGDOM during the period 1896–97 to 1906–07.

YEAR ENDED 31ST MARCH.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	Proof Gallons.	Proof Gallons.	Proof Gallons.	Proof Gallons.
1896–97	11,821,182	28,518,681	14,282,843	54,622,706
1897–98	12,360,255	33,744,503	14,547,708	60,652,466
1898–99	12,913,771	35,769,114	14,754,999	63,437,884
1899–1900	12,966,941	31,798,465	14,480,871	59,246,277
1900–01	12,603,311	30,196,016	14,221,520	57,020,847
1901–02	12,438,596	29,973,193	12,780,535	55,192,324
1902–03	11,295,563	26,007,569	12,441,298	49,744,430
1903–04	11,694,851	27,110,977	13,010,772	51,816,600
1904–05	12,156,652	25,185,235	11,798,155	49,140,042
1905–06	12,750,749	23,812,839	12,650,577	49,214,165
1906–07	13,424,854	24,839,870	12,053,184	50,317,908

(3) TABLE showing the NUMBER OF DISTILLERIES AT WORK in the period from 1st October, 1895, to 30th September, 1906.

YEAR ENDED 30TH SEPTEMBER.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1896	11	136	26	173
1897	11	143	28	182
1898	11	157	29	197
1899	10	161	29	200
1900	10	159	30	199
1901	9	156	28	193
1902	9	152	29	190
1903	9	149	28	186
1904	8	152	28	188
1905	8	153	27	188
1906	8	150	28	186

(4) TABLE showing the NUMBER OF DISTILLERIES AT WORK in ENGLAND, SCOTLAND, and IRELAND, respectively, in each of the years 1888 to 1907 inclusive, classified according to the kind of Stills used.

YEAR ENDED 30TH SEPTEMBER.	ENGLAND.			SCOTLAND.			IRELAND.			UNITED KINGDOM.		
	Number of Distilleries with			Number of Distilleries with			Number of Distilleries with			Number of Distilleries with		
	Pot Stills only.	Patent Stills only.	Pot and Patent Stills.	Pot Stills only.	Patent Stills only.	Pot and Patent Stills.	Pot Stills only.	Patent Stills only.	Pot and Patent Stills.	Pot Stills only.	Patent Stills only.	Pot and Patent Stills.
1888	—	8	2	114	7	6	22	2	5	136	17	13
1889	—	8	2	113	8	5	23	2	5	136	18	12
1890	—	8	2	111	8	5	23	2	4	134	18	11
1891	1	7	2	115	8	5	22	2	5	138	17	12
1892	1	6	3	117	8	5	21	2	5	139	16	13
1893	1	6	4	119	8	5	21	2	5	141	16	14
1894	1	5	5	120	7	5	20	2	5	141	14	15
1895	1	5	5	119	8	5	20	2	5	140	15	15
1896	1	7	3	123	8	5	19	2	5	143	17	13
1897	1	7	3	129	8	6	20	1	7	150	16	16
1898	1	7	3	142	9	6	21	1	7	164	17	16
1899	—	7	3	145	9	7	20	1	8	165	17	18
1900	—	7	3	142	11	6	21	1	8	163	19	17
1901	—	6	3	139	11	6	19	1	8	158	18	17
1902	—	6	3	136	10	6	19	1	9	155	17	18
1903	—	6	3	133	10	6	18	1	9	151	17	18
1904	—	5	3	136	10	6	18	1	9	154	16	18
1905	—	5	3	140	9	4	17	2	8	157	16	15
1906	—	5	3	138	9	3	18	2	8	156	16	14
1907	—	5	3	137	10	3	18	2	7	155	17	13

(5) TABLE showing the NUMBER OF PROOF GALLONS OF HOME MADE SPIRITS REMAINING IN WAREHOUSES on the 31st March in each year of the period 1896–97 to 1906–07, and on which Duty had not then been paid.

YEAR ENDED 31ST MARCH.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	Proof Gallons.	Proof Gallons.	Proof Gallons.	Proof Gallons.
1896–97	11,594,213	77,172,675	34,741,027	123,507,915
1897–98	11,973,960	89,758,837	35,943,678	137,676,475
1898–99	12,198,240	103,290,391	36,243,908	151,732,539
1899–1900	12,132,304	109,898,389	35,139,275	157,169,968
1900–01	11,905,058	114,853,325	34,744,446	161,502,829
1901–02	12,606,895	119,948,047	34,456,792	167,011,734
1902–03	12,637,979	120,342,958	33,545,782	166,526,719
1903–04	12,474,438	121,397,951	33,283,115	167,155,504
1904–05	11,847,483	121,778,039	31,760,947	165,386,469
1905–06	11,283,004	120,242,108	31,994,845	163,519,957
1906–07	10,897,109	118,977,707	31,773,593	161,648,409

(6) TABLE showing the QUANTITIES OF HOME MADE SPIRITS RETAINED in ENGLAND, SCOTLAND, and IRELAND, and the UNITED KINGDOM, FOR CONSUMPTION, in the period 1896–97 to 1906–07.

YEAR ENDED 31ST MARCH.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	Proof Gallons.	Proof Gallons.	Proof Gallons.	Proof Gallons.
1896–97	21,296,789	6,622,190	4,207,259	32,126,238
1897–98	21,981,562	6,760,037	4,156,674	32,898,273
1898–99	23,145,797	7,078,514	4,109,773	34,334,084
1899–1900	25,623,177	8,380,378	4,713,178	38,716,733
1900–01	24,993,993	7,471,401	4,238,334	36,703,728
1901–02	22,826,871	7,115,121	3,807,239	33,749,231
1902–03	23,356,933	7,399,424	4,008,778	34,765,135
1903–04	22,974,805	7,192,247	3,936,059	34,103,111
1904–05	22,661,420	6,758,901	3,737,623	33,157,944
1905–06	22,139,541	6,711,147	3,636,270	32,486,958
1906–07	22,026,732	6,851,919	3,632,665	32,511,316

(7) TABLE showing, for the UNITED KINGDOM, the NUMBER OF PROOF GALLONS OF HOME MADE, COLONIAL, AND FOREIGN SPIRITS RETAINED FOR CONSUMPTION in the period 1896–97 to 1906–07, with the Estimated Population of the UNITED KINGDOM in each year and the Estimated Consumption per head of the population.

YEAR ENDED 31ST MARCH.	POPULATION (Estimated).	HOME MADE SPIRITS. (Subject to Excise Duty.)		COLONIAL AND FOREIGN SPIRITS. (Subject to Customs Duty.)		Proof Gallons of Spirits of all kinds per Head of Population.
		Proof Gallons.	Proof Gallons per Head of Population.	Proof Gallons.	Proof Gallons per Head of Population.	
1896–97	39,599,000	32,126,238	·81	8,287,562	·20	1·01
1897–98	39,987,000	32,898,273	·82	8,250,603	·21	1·03
1898–99	40,381,000	34,334,084	·85	8,127,940	·20	1·05
1899–1900	40,774,000	38,716,733	·95	9,304,163	·23	1·18
1900–01	41,155,000	36,703,728	·89	8,657,098	·21	1·10
1901–02	41,551,000	33,749,231	·81	8,299,842	·20	1·01
1902–03	41,961,000	34,765,135	·83	8,550,613	·20	1·03
1903–04	42,371,000	34,103,111	·80	8,064,910	·19	·99
1904–05	42,793,000	33,157,944	·77	6,912,492	·16	·93
1905–06	43,221,000	32,486,958	·75	6,734,991	·16	·91
1906–07	43,659,000	32,511,316	·74	7,298,145	·17	·91

The figures of population have been revised in accordance with the most recent statistics of the Registrar-General.

(8) TABLE showing the NUMBER OF PROOF GALLONS OF HOME MADE SPIRITS EXPORTED from the UNITED KINGDOM in the period 1896–97 to 1906–07.

YEAR ENDED 31ST MARCH.	QUANTITIES.	YEAR ENDED 31ST MARCH.	QUANTITIES.
	Proof Gallons.		Proof Gallons.
1896–97	4,790,181	1902–03	6,438,802
1897–98	4,585,626	1903–04	6,334,971
1898–99	5,090,290	1904–05	6,954,037
1899–1900	5,284,611	1905–06	7,049,798
1900–01	5,773,718	1906–07	7,341,077
1901–02	6,312,219		

(9) TABLE showing, for ENGLAND, SCOTLAND, and IRELAND, and for the UNITED KINGDOM, the NUMBER OF PROOF GALLONS OF HOME MADE AND COLONIAL AND FOREIGN SPIRITS METHYLATED in the period 1896–97 to 1906-07.

YEAR ENDED 31ST MARCH.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	Proof Gallons.	Proof Gallons.	Proof Gallons.	Proof Gallons.
Home Made Spirits.				
1896–97	3,664,125	411,917	42,832	4,118,874
1897–98	3,943,582	476,824	40,456	4,460,862
1898–99	4,149,128	587,088	45,153	4,781,369
1899–1900	4,280,437	646,664	50,926	4,978,027
1900–01	4,329,214	692,486	49,013	5,070,713
1901–02	4,010,334	575,606	54,830	4,640,770
1902–03	3,574,732	605,012	59,944	4,239,688
1903–04	4,398,002	599,727	56,857	5,054,586
1904–05	4,850,781	551,855	50,938	5,453,574
1905–06	5,036,295	575,689	51,445	5,663,429
1906–07	5,361,227	644,701	49,357	6,055,285
Colonial and Foreign Spirits.				
1896–97	24,163	273	—	24,436
1897–98	1,706	—	—	1,706
1898–99	3,045	735	—	3,780
1899–1900	5,710	535	—	6,245
1900–01	120,332	—	—	120,332
1901–02	519,325	108,085	—	627,410
1902–03	1,120,115	91,886	—	1,212,001
1903–04	334,140	—	—	334,140
1904–05	8,079	—	—	8,079
1905–06	—	—	—	—
1906–07	—	—	—	—
Total Home Made and Colonial and Foreign Spirits.				
1896–97	3,688,288	412,190	42,832	4,143,310
1897–98	3,945,288	476,824	40,456	4,462,568
1898–99	4,152,173	587,823	45,153	4,785,149
1899–1900	4,286,147	647,199	50,926	4,984,272
1900–01	4,449,546	692,486	49,013	5,191,045
1901–02	4,529,659	683,691	54,830	5,268,180
1902–03	4,694,847	696,898	59,944	5,451,689
1903–04	4,732,142	599,727	56,857	5,388,726
1904–05	4,858,860	551,855	50,938	5,461,653
1905–06	5,036,295	575,689	51,445	5,663,429
1906–07	5,361,227	644,701	49,357	6,055,285

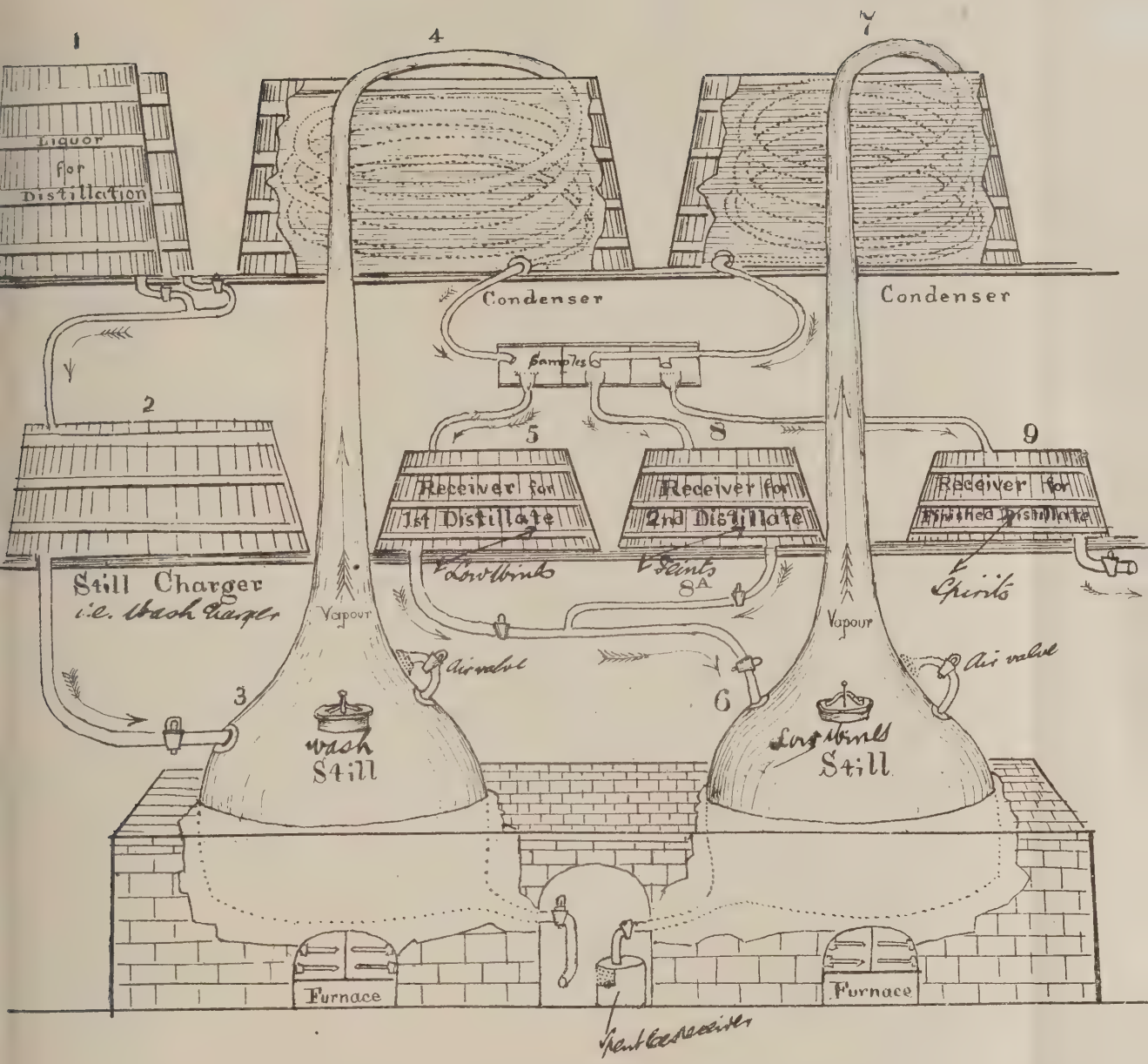
(10) TABLE showing the QUANTITIES of HOME MADE AND FOREIGN SPIRITS allowed to be received in a pure state for use in connection with ARTS AND MANUFACTURES under Section 8 of the Finance Act, 1902.

YEAR ENDED 31ST MARCH.	USE.	HOME-MADE.	FOREIGN.	TOTAL.
		Proof Gallons.	Proof Gallons.	Proof Gallons.
1902–03	Arts and Manufactures	98	243	341
	Scientific (Universities, Hospitals, &c.)	66	292	358
		164	535	699
1903–04	Arts and Manufactures	206,192	260	206,452
	Scientific (Universities, Hospitals, &c.)	310	1,962	2,272
		206,502	2,222	208,724
1904–05	Arts and Manufactures	266,793	913	267,706
	Scientific (Universities, Hospitals, &c.)	827	1,853	2,680
		267,620	2,766	270,386
1905–06	Arts and Manufactures	352,795	1,721	354,516
	Scientific (Universities, Hospitals, &c.)	1,054	2,260	3,314
		353,849	3,981	357,830
1906–07	Arts and Manufactures	431,189	709	431,898
	Scientific (Universities, Hospitals, &c.)	1,221	2,796	4,017
		432,410	3,505	435,915

APPENDIX B.

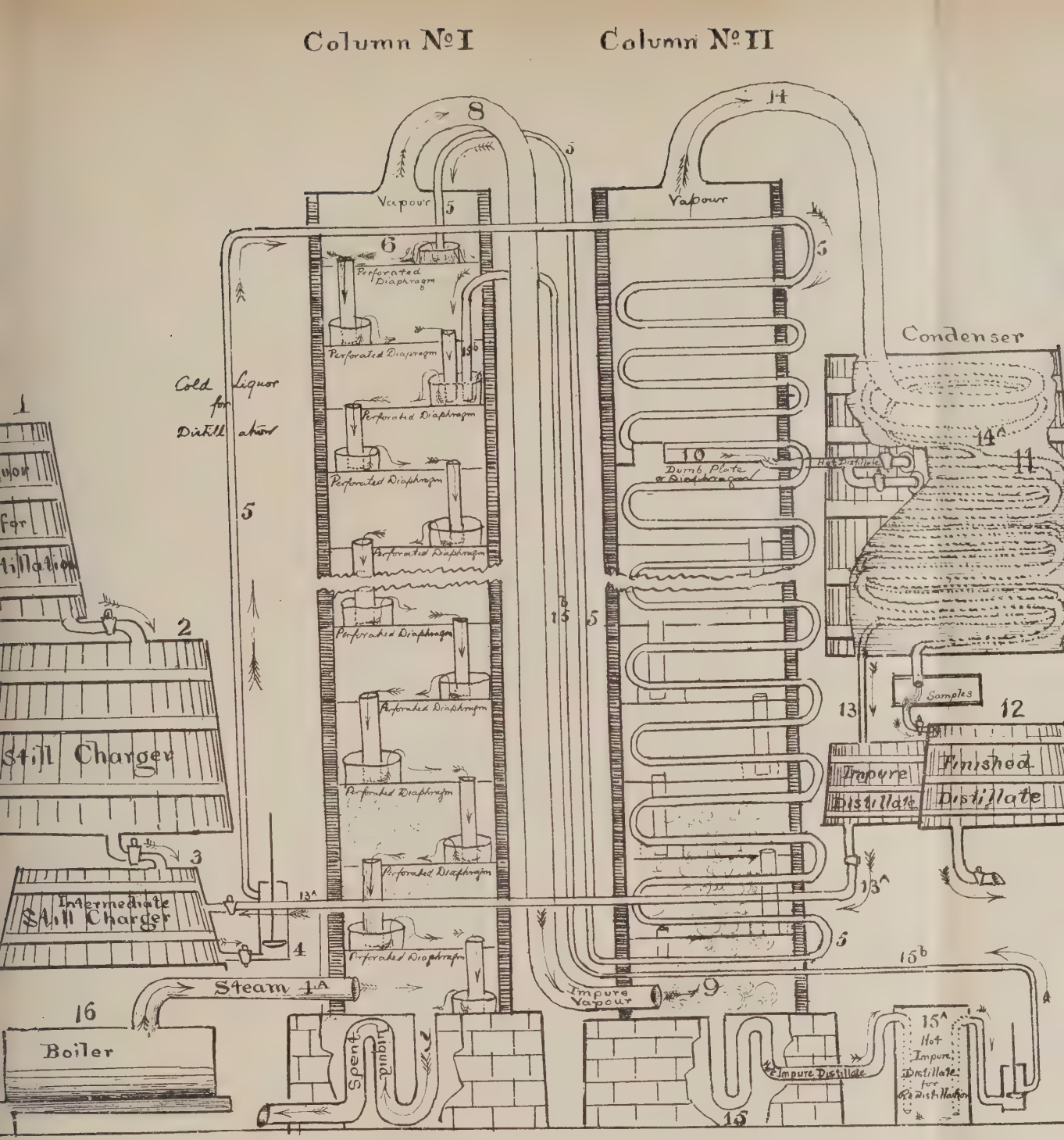
DRAWINGS OF POT AND PATENT STILLS.

Handed in by Mr. A. J. TEDDER, Chief Inspector of Excise.



Pot Stills.

Order of working - 1. Vats for crude liquor. 2. Vat for containing liquor for distillation. 3 Still. 4. Worm or Condenser 5. Receiver for product of 1st distillation. 6. Still to be charged from No 5 or from No 8. 7. Worm or Condenser. 8 Product of 2nd distillation, impure, to be conveyed by 8A into No 6. 9. Finished product



Coffey's Distilling Apparatus.

Order of process – 1. Vat for crude liquor. 2. Charger for Still. 3. Additional Charger. 4. Pump. 5. Pipe conveying liquor to be distilled. Col: №II containing №5 Pipe, impure Vapour from Col: I and dumb-plate where hot distillate is drawn off Col: №I containing liquor descending from diaphragm to diaphragm and ascending steam from boiler. 6. Liquor spreading over diaphragm. 7. Spent liquor. 8. Vapour from steam and liquor to bottom of Col: II. 9. Vapour ascending to Col: II 10. Plate where hot product condensed is drawn off. 11. Hot product condenser. 12. Finished product. 13. Impure product for re-distillation. 13A Impure product to Still Charger. 14. Uncondensed Vapour to be condensed in 14A and conveyed by 13 and 13A to Still Charger. 15. Impure Spirit liquid for re-distillation through 15A and 15b to Col: №I. 16. Steam boiler.

APPENDIX C.

Tables handed in by Mr. A. Richardson, Inspector of Customs.

I.—IMPORTS OF BRANDY.—QUANTITIES AND VALUES.

(*a.*)—Table showing the Quantities, in proof gallons, of Brandy imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Norway	—	—	6,276	3,342	3,163	4,599	289	1,928	10,417	—
Germany	—	—	111,759	82,669	92,624	90,836	42,830	36,191	59,166	53,297
Netherlands	—	—	18,818	15,048	11,277	6,926	6,163	4,995	4,058	1,765
France	—	—	1,813,787	2,369,673	1,621,063	1,411,767	1,391,726	1,984,538	1,237,084	1,721,291
Portugal	—	—	964	4,396	1,165	780	733	2,048	2,223	1,887
Spain	—	—	39,629	32,474	35,510	47,065	18,467	21,603	11,761	12,377
Italy	—	—	—	—	—	956	1,764	20,570	1,168	5,021
Greece	—	—	5,635	2,233	—	1,165	2,058	138	17,906	3,166
Egypt	—	—	6,506	35,604	25,440	32,424	68,166	69,066	50,551	57,682
United States of America	—	—	16,850	4,409	—	12,574	29,332	3,425	35	249
Other Foreign Countries	—	—	5,483	4,908	7,931	12,115	10,027	7,425	9,372	1,590
Total from Foreign Countries	—	—	2,025,707	2,554,756	1,798,173	1,621,207	1,571,555	2,151,927	1,403,741	1,858,325
Australia—										
Southern Australia (including Northern Territories)	—	—	1,019	—	1,865	291	2,998	3,659	2,779	1,359
Victoria	—	—	27,164	13,486	57	26,655	5,945	19,465	5,299	2,558
New South Wales	—	—	—	—	840	—	1,152	258	—	—
Cyprus	—	—	7,501	5,404	2,844	7,116	6,017	10,725	819	4,408
Other British Possessions	—	—	273	528	1,674	529	18	244	135	671
Total from British Possessions	—	—	35,957	19,418	7,280	34,591	16,130	34,351	9,032	8,996
Total	—	—	2,061,664	2,574,174	1,805,453	1,655,798	1,587,685	2,186,278	1,412,773	1,867,321

Imported in Bottles.

Germany	—	—	400	99	137	187	121	108	23	66
Netherlands	—	—	3,628	2,362	3,244	1,350	870	952	1,009	1,311
France	—	—	528,109	501,778	490,623	478,957	458,011	448,906	457,978	473,457
Spain	—	—	191	326	304	234	213	573	1,066	671
Other Foreign Countries	—	—	603	2,293	1,024	606	244	270	1,081	257
Total from Foreign Countries	—	—	532,931	506,858	495,332	481,334	459,459	450,809	461,157	475,762
Australia	—	—	1,316	15	226	26	109	106	8	57
Other British Possessions	—	—	354	478	425	400	251	404	397	622
Total from British Possessions	—	—	1,670	493	651	426	360	510	405	679
Total	—	—	534,601	507,351	495,983	481,760	459,819	451,319	461,562	476,441

Note.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF BRANDY—*continued.*

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Brandy imported into the United Kingdom during the Ten Years, 1898 to 1907—*continued.*

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Norway	2	641	6,363	3,342	3,164	4,599	294	1,928	10,423	11
Germany	161,717	82,375	112,159	82,768	92,761	91,023	42,951	36,299	59,189	53,363
Netherlands	22,066	24,330	22,446	17,410	14,521	8,276	7,033	5,947	5,067	3,076
France	2,208,346	2,259,021	2,341,896	2,871,451	2,111,686	1,890,724	1,849,737	2,433,444	1,695,062	2,194,748
Portugal	1,452	723	964	4,399	1,177	789	735	2,048	2,223	1,887
Spain	51,676	46,741	39,820	32,800	35,814	47,299	18,680	22,176	12,827	13,048
Italy	—	—	—	—	—	995	1,809	20,661	1,176	5,029
Greece	2,318	352	5,778	2,239	—	1,197	2,112	208	17,938	3,181
Egypt	3,910	7,096	6,506	35,939	25,899	32,606	68,244	69,066	50,560	57,712
United States of America	5,859	8,388	16,850	4,651	—	12,611	29,332	3,425	35	255
Other Foreign Countries	13,830	24,705	5,856	6,615	8,474	12,422	10,087	7,534	10,398	1,777
Total from Foreign Countries	2,471,176	2,454,372	2,558,638	3,061,614	2,293,496	2,102,541	2,031,014	2,602,736	1,864,898	2,334,087
Australia—Southern Australia (including Northern Territories)	1,345	369	1,349	—	1,865	306	3,032	3,740	2,781	1,359
Victoria	40,485	8,383	28,148	13,486	127	26,655	6,020	19,480	5,299	2,558
New South Wales	—	159	2	15	985	—	1,152	258	6	—
Cyprus	—	409	7,501	5,404	2,853	7,136	6,033	10,726	819	4,408
Other British Possessions	1,783	1,430	627	1,006	2,110	920	253	657	532	1,350
Total from British Possessions	43,613	10,750	37,627	19,911	7,940	35,017	16,490	34,861	9,437	9,675
Total	2,514,789	2,465,122	2,596,265	3,081,525	2,301,436	2,137,558	2,047,504	2,637,597	1,874,335	2,343,762

(*b*) TABLE showing the VALUES of Brandy imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Norway	—	—	743	316	301	654	35	245	648	—
Germany	—	—	13,738	11,441	9,736	8,615	4,530	4,105	6,882	6,207
Netherlands	—	—	5,059	3,805	2,952	1,726	2,186	1,609	1,028	387
France	—	—	616,232	817,769	526,937	464,707	449,461	680,029	411,765	561,453
Portugal	—	—	378	958	319	227	164	500	429	549
Spain	—	—	12,334	10,655	10,659	16,404	6,200	6,115	3,547	4,371
Italy	—	—	—	—	—	178	579	5,989	308	1,636
Greece	—	—	685	605	—	155	336	30	1,227	1,592
Egypt	—	—	607	4,242	2,598	3,303	10,844	11,524	9,143	9,105
United States of America	—	—	2,073	682	—	2,093	4,852	800	24	100
Other Foreign Countries	—	—	1,164	1,494	1,616	1,536	2,100	1,236	1,444	455
Total from Foreign Countries	—	—	653,013	851,967	555,118	499,598	481,287	712,182	436,445	585,855
Australia—Southern Australia (including Northern Territories)	—	—	215	—	535	60	902	948	661	502
Victoria	—	—	8,328	3,588	39	9,924	1,377	5,035	1,250	610
New South Wales	—	—	—	—	317	—	340	69	—	—
Cyprus	—	—	1,240	1,265	560	2,108	1,299	2,615	80	1,062
Other British Possessions	—	—	265	242	666	265	16	96	55	223
Total from British Possessions	—	—	10,048	5,095	2,117	12,357	3,934	8,763	2,046	2,397
Total	—	—	663,061	857,062	557,235	511,955	485,221	720,945	438,491	588,252

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF BRANDY—*continued.*

(*b*) TABLE showing the VALUES of Brandy imported into the United Kingdom during the Ten Years, 1898 to 1907—*continued.*

Imported in Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	—	—	315	75	119	128	137	84	21	52
Netherlands	—	—	4,634	2,739	3,317	1,524	1,313	1,247	1,130	1,158
France	—	—	535,813	526,405	524,180	514,890	507,997	506,939	516,197	531,193
Spain	—	—	163	290	286	164	235	605	1,005	618
Other Foreign Countries	—	—	593	1,709	613	487	194	205	765	322
Total from Foreign Countries	—	—	541,518	531,218	528,515	517,193	509,876	509,080	519,118	533,343
Australia	—	—	924	14	198	18	83	86	11	11
Other British Possessions	—	—	304	340	388	280	182	387	299	585
Total from British Possessions	—	—	1,228	354	586	298	265	473	310	596
Total	—	—	542,746	531,572	529,101	517,491	510,141	509,553	519,428	533,939

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Norway	1	60	811	316	301	654	38	245	654	9
Germany	25,202	11,998	14,053	11,516	9,855	8,743	4,667	4,189	6,903	6,259
Netherlands	10,492	13,204	9,693	6,544	6,269	3,250	3,499	2,856	2,158	1,545
France	1,080,544	1,090,577	1,152,045	1,344,174	1,051,117	979,597	957,458	1,186,968	927,962	1,092,646
Portugal	527	249	378	960	333	242	167	500	429	519
Spain	17,042	15,586	12,497	10,945	10,945	16,568	6,435	6,720	4,552	4,989
Italy	—	—	—	—	—	205	622	6,039	310	1,648
Greece	290	36	844	612	—	176	385	84	1,259	1,608
Egypt	401	875	607	4,368	2,743	3,393	10,894	11,524	9,150	9,127
United States of America	787	1,295	2,073	753	—	2,120	4,852	800	24	111
Other Foreign Countries	2,274	2,415	1,530	2,997	2,064	1,843	2,146	1,337	2,162	707
Total from Foreign Countries	1,137,560	1,136,295	1,194,531	1,383,185	1,083,627	1,016,791	991,163	1,221,262	955,563	1,119,198
Australia—										
Southern Australia (including Northern Territories	453	312	450	—	535	72	930	1,004	663	502
Victoria	10,263	2,615	9,015	3,588	112	9,924	1,432	5,045	1,250	610
New South Wales	—	152	2	14	435	—	340	69	9	—
Cyprus	—	73	1,240	1,265	566	2,118	1,309	2,617	80	1,062
Other British Possessions	1,058	830	569	582	1,061	541	188	501	354	819
Total from British Possessions	11,774	3,982	11,276	5,449	2,709	12,655	4,199	9,236	2,356	2,993
Total	1,149,334	1,140,277	1,205,807	1,388,634	1,086,336	1,029,446	995,362	1,230,498	957,919	1,122,191

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

II.—IMPORTS OF RUM.—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Rum imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
			Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	—	—	21,911	21,116	22,810	17	—	36,098	9	—
Netherlands	—	—	290,788	376,307	259,459	277,933	148,159	22,675	78,717	41,715
Dutch Guiana	—	—	27,373	37,897	—	—	4,204	—	—	25,715
France	—	—	188,730	620,640	739,548	292,367	95,657	209,588	154,198	468,176
United States of America	—	—	901,741	245,537	359,646	78,669	107,129	136,586	63,189	53,926
Other Foreign Countries	—	—	3,336	22,235	11,995	1,379	896	—	2,331	2,004
Total from Foreign Countries	—	—	1,433,879	1,323,732	1,393,458	650,365	356,045	404,947	298,444	591,536
British South Africa	—	—	—	—	—	—	—	20,218	34,527	99,503
Mauritius and Dependencies	—	—	415,715	256,080	36,389	—	—	45,598	—	34,000
Australia—										
New South Wales	—	—	—	—	—	—	—	41,457	13,859	—
Queensland	—	—	16,631	2,532	—	—	—	7,197	22,794	16,635
Canada	—	—	748	225,366	607,320	5,392	27,490	82,309	122,934	429,324
British West India Islands	—	—	1,204,473	1,908,074	2,250,045	1,399,379	1,443,926	1,276,831	1,500,760	1,407,000
British Guiana	—	—	3,115,898	2,889,449	3,850,632	3,429,442	2,876,454	2,319,806	3,205,726	2,920,132
Other British Possessions	—	—	8,272	86,612	50,008	62	—	84	521	—
Total from British Possessions	—	—	4,761,737	5,368,113	6,794,394	4,834,275	4,347,870	3,793,500	4,901,121	4,906,594
Total	—	—	6,195,616	6,691,845	8,187,852	5,484,640	4,703,915	4,198,447	5,199,565	5,498,130

Imported in Bottles.

Foreign Countries	—	—	368	113	135	88	2	13	53	17
British Possessions	—	—	563	643	248	433	271	187	201	304
Total	—	—	931	756	383	521	273	200	254	321

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	4,659	63,876	21,930	21,124	22,829	17	2	36,101	9	1
Netherlands	30,222	108,347	290,788	376,308	259,464	277,933	148,159	22,675	78,717	41,715
Dutch Guiana	61,715	49,716	27,373	37,897	—	—	4,204	—	—	25,715
France	71	442,587	188,730	620,724	739,619	292,422	95,657	209,594	154,198	468,179
United States of America	465,740	171,170	901,742	245,542	359,686	78,669	107,129	136,590	63,189	53,926
Other Foreign Countries	5,010	122,623	3,684	22,250	11,995	1,412	896	—	2,384	2,017
Total from Foreign Countries	567,417	958,319	1,434,247	1,323,845	1,393,593	650,453	356,047	404,960	298,497	591,553
British South Africa	—	—	—	—	—	—	—	20,218	34,527	99,653
Mauritius and Dependencies	96,692	347,578	415,715	256,080	36,389	—	—	45,598	—	34,000
Australia—										
New South Wales	—	—	—	—	—	—	—	41,457	13,859	—
Queensland	5	9,387	16,631	2,532	—	—	—	7,197	22,794	16,635
Canada	471,273	192,254	838	225,366	607,320	5,392	27,490	82,332	122,934	429,324
British West India Islands	1,196,241	1,736,394	1,204,601	1,908,313	2,250,293	1,399,727	1,444,197	1,276,994	1,500,953	1,407,154
British Guiana	3,123,248	2,308,947	3,115,898	2,889,449	3,850,632	3,429,442	2,876,454	2,319,806	3,205,726	2,920,132
Other British Possessions	14,216	24,799	8,617	87,016	50,008	147	—	85	529	—
Total from British Possessions	4,901,675	4,619,359	4,762,300	5,368,756	6,794,642	4,834,708	4,348,141	3,793,687	4,901,322	4,906,898
Total	5,469,092	5,577,678	6,196,547	6,692,601	8,188,235	5,485,161	4,704,188	4,198,647	5,199,819	5,498,451

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF RUM—*continued.*

(*b*) TABLE showing the VALUES of Rum imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	—	—	1,309	1,489	1,308	3	—	2,202	2	—
Netherlands	—	—	22,893	21,466	11,049	12,463	6,420	977	2,736	2,133
Dutch Guiana	—	—	2,052	2,595	—	—	145	—	—	1,350
France	—	—	11,524	38,907	44,265	15,788	5,793	8,428	9,018	19,800
United States of America	—	—	77,888	17,402	33,251	6,286	5,484	7,430	3,857	3,563
Other Foreign Countries	—	—	179	1,475	481	50	55	—	186	203
Total from Foreign Countries	—	—	115,845	83,334	90,354	34,590	17,897	19,037	15,799	27,049
British South Africa	—	—	—	—	—	—	—	1,183	2,215	6,187
Mauritius and Dependencies	—	—	23,696	13,040	1,663	—	—	2,158	—	1,322
Australia—										
New South Wales	—	—	—	—	—	—	—	1,431	425	—
Queensland	—	—	1,126	192	—	—	—	900	1,382	950
Canada	—	—	50	14,885	28,912	190	2,028	6,247	8,816	38,264
British West India Islands	—	—	105,446	207,071	233,276	136,180	131.744	112,873	138.435	130.864
British Guiana	—	—	235,333	183,788	167,237	130,902	100,692	114,677	156,164	154,472
Other British Possessions	—	—	636	5,159	2,483	12	—	20	40	—
Total from British Possessions	—	—	366,287	424,135	433,571	267,284	234,464	239,489	307,477	332,059
Total	—	—	482,132	507,469	523,925	301,874	252,361	258,526	323,276	359,108

Imported in Bottles.

Foreign Countries	—	—	232	71	137	21	1	7	19	5
British Possessions	—	—	164	367	92	168	101	90	56	83
Totals	—	—	396	438	229	189	102	97	75	88

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	350	6,028	1,316	1,493	1,313	3	1	2,203	2	—
Netherlands	1,652	7,186	22,893	21,466	11,053	12,463	6,420	977	2,736	2,133
Dutch Guiana	2,527	2,370	2,052	2,595	—	—	145	—	—	1,350
France	7	30,866	11,524	38,954	44,371	15,798	5,793	8,431	9,018	19,801
United States of America	52,177	16,452	77,889	17,406	33,273	6,286	5,484	7,433	3,857	3,563
Other Foreign Countries	348	5,878	403	1,491	481	61	55	—	205	207
Total from Foreign Countries	57,061	68,780	116,077	83,405	90,491	34,611	17,898	19,044	15,818	27,054
British South Africa	—	—	—	—	—	—	—	1,183	2,215	6,237
Mauritius and Dependencies	3,359	15,445	23,696	13,040	1,663	—	—	2,158	—	1,322
Australia—										
New South Wales	—	—	—	—	—	—	—	1,431	425	—
Queensland	1	810	1,126	192	—	—	—	900	1,382	950
Canada	42,973	16,518	105	14,885	28,912	190	2,028	6,254	8,816	38,264
British West India Islands	106,223	138,968	105,495	207,179	233,368	136,301	131,845	112,956	138.488	130,897
British Guiana	135,627	126,545	235,333	183,788	167,237	130,902	100,692	114,677	156,164	154,472
Other British Possessions	672	1,364	696	5,418	2,483	59	—	20	43	—
Total from British Possessions	288,855	299,650	366,451	424,502	433,663	267,452	234,565	239,579	307,533	332,142
Total	345,916	368,430	482,528	507,907	524,154	302,063	252,463	258,623	323,351	359,196

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

III.—IMPORTS OF IMITATION RUM—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Imitation Rum imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	—	—	40,370	24,388	19,302	12,699	11,930	10,389	11,496	11,491
France	—	—	—	—	—	2,303	2,307	2,930	1,504	1,032
Other Foreign Countries	—	—	2,182	2,173	2,921	586	85	1,075	851	374
Total from Foreign Countries	—	—	42,552	26,561	22,223	15,588	14,322	14,394	13,851	12,897
From British Possessions	—	—	—	112	—	437	—	3,127	—	32
Total	—	—	42,552	26,673	22,223	16,025	14,322	17,521	13,851	12,929

Imported in Bottles.

From Foreign Countries	—	—	64	178	206	249	264	279	189	637
From British Possessions	—	—	18	—	4	1	—	—	—	—
Total	—	—	82	178	210	250	264	279	189	637

Total Importations in Casks and Bottles.

Germany	15,863	48,677	40,372	24,392	19,312	12,704	11,950	10,390	11,499	11,538
France	1,065	862	262	1,565	2,690	2,541	2,542	3,198	1,655	1,519
Other Foreign Countries	369	142	1,982	782	427	592	94	1,085	886	477
Total from Foreign Countries	17,297	49,681	42,616	26,739	22,429	15,837	14,586	14,673	14,040	13,534
From British Possessions	28	—	18	112	4	438	—	3,127	—	32
Total	17,325	49,681	42,634	26,851	22,433	16,275	14,586	17,800	14,040	13,566

(*b*) TABLE showing the VALUES of Imitation Rum imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	—	—	3,110	1,557	1,381	878	867	710	838	833
France	—	—	—	—	—	406	512	456	263	228
Other Foreign Countries	—	—	310	385	481	120	23	79	272	50
Total from Foreign Countries	—	—	3,420	1,942	1,862	1,404	1,402	1,245	1,373	1,111
From British Possessions	—	—	—	14	—	69	—	192	—	3
Total	—	—	3,420	1,956	1,862	1,473	1,402	1,437	1,373	1,114

Imported in Bottles.

From Foreign Countries	—	—	40	87	107	151	275	212	158	691
From British Possessions	—	—	10	—	2	—	—	—	—	—
Total	—	—	50	87	109	151	275	212	158	691

Total Importations in Casks and Bottles.

Germany	921	3,112	3,110	1,558	1,387	880	878	710	839	847
France	332	268	86	333	513	553	775	662	408	852
Other Foreign Countries	29	41	264	138	69	122	24	85	284	103
Total from Foreign Countries	1,282	3,421	3,460	2,029	1,969	1,555	1,677	1,457	1,531	1,802
From British Possessions	7	—	10	14	2	69	—	192	—	3
Total	1,289	3,421	3,470	2,043	1,971	1,624	1,677	1,649	1,531	1,805

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IV.—IMPORTS OF GENEVA—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Geneva imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Netherlands	—	—	178,874	195,598	183,847	188,097	189,442	196,144	207,979	215,343
Belgium	—	—	3,449	4,829	5,160	6,100	6,444	6,071	5,792	6,200
Other Foreign Countries	—	—	238	549	415	746	136	137	8	21
Total from Foreign Countries	—	—	182,561	200,976	189,422	194,943	196,022	202,352	213,779	221,564
From British Possessions	—	—	—	—	208	—	—	—	—	—
Total	—	—	182,561	200,976	189,630	194,943	196,022	202,352	213,779	221,564

Imported in Bottles.

Netherlands	—	—	229,556	230,198	230,269	229,064	220,135	224,203	217,023	221,384
Other Foreign Countries	—	—	906	143	347	449	471	1,448	597	1,149
Total from Foreign Countries	—	—	230,462	230,341	230,616	229,513	220,606	225,651	217,620	222,533
From British Possessions	—	—	19	28	2,002	2	—	43	37	10
Total	—	—	230,481	230,369	232,618	229,515	220,606	225,694	217,657	222,543

Total Importations in Casks and Bottles.

Netherlands	318,363	407,977	408,430	425,796	414,116	417,161	409,577	420,347	425,002	436,727
Belgium	3,699	3,139	3,546	4,844	5,163	6,309	6,449	6,071	5,812	6,218
Other Foreign Countries	242	453	1,047	677	759	986	602	1,585	585	1,152
Total from Foreign Countries	352,304	411,569	413,023	431,317	420,038	424,456	416,628	428,003	431,399	444,097
From British Possessions	32	1	19	28	2,210	2	—	43	37	10
Total	352,336	411,570	413,042	431,345	422,248	424,458	416,628	428,046	431,436	444,107

(*b*) TABLE showing the VALUES of Geneva imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Netherlands	—	—	21,226	20,797	19,809	21,662	19,389	19,999	19,808	20,544
Belgium	—	—	391	565	607	723	760	645	695	738
Other Foreign Countries	—	—	35	57	82	75	14	15	1	4
Total from Foreign Countries	—	—	21,652	21,419	20,498	22,460	20,163	20,659	20,504	21,286
From British Possessions	—	—	—	—	40	—	—	—	—	—
Total	—	—	21,652	21,419	20,538	22,460	20,163	20,659	20,504	21,286

Imported in Bottles.

Netherlands	—	—	44,501	44,319	45,385	44,925	42,890	41,025	40,798	42,521
Other Foreign Countries	—	—	178	39	89	74	83	388	222	421
Total from Foreign Countries	—	—	44,679	44,358	45,474	44,999	42,973	41,413	41,020	42,942
From British Possessions	—	—	4	14	528	2	—	15	4	2
Total	—	—	44,683	44,372	46,002	45,001	42,973	41,428	41,024	42,944

Total Importations in Casks and Bottles.

Netherlands	62,363	67,320	65,727	65,116	65,194	66,587	62,279	61,024	60,606	63,065
Belgium	521	474	411	568	608	760	762	645	710	743
Other Foreign Countries	52	71	193	93	170	112	95	403	208	420
Total from Foreign Countries	62,936	67,865	66,331	65,777	65,972	67,459	63,136	62,072	61,524	64,228
From British Possessions	22	1	4	14	568	2	—	15	4	2
Total	62,958	67,866	66,335	65,791	66,540	67,461	63,136	62,087	61,528	64,230

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

V.—IMPORTS OF LIQUEURS, CORDIALS, &c.—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in liquid gallons, of Liqueurs, Cordials, &c. (not tested), imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Foreign Countries	—	—	636	530	261	942	274	86	113	410
British Possessions	—	—	—	—	—	—	—	—	5	—
Total	—	—	636	530	261	942	274	86	118	410

Imported in Bottles.

Germany	—	—	687	935	1,080	1,013	1,190	800	859	829
Netherlands	—	—	836	598	1,091	2,175	2,623	2,209	992	1,491
Belgium	—	—	206	215	160	171	158	186	301	215
France	—	—	9,685	12,633	10,836	10,192	9,023	9,230	9,504	9,958
United States of America	—	—	1,488	765	1,199	1,294	2,407	3,786	1,939	1,400
Other Foreign Countries	—	—	536	813	493	2,051	544	569	581	809
Total from Foreign Countries	—	—	13,438	15,959	14,859	16,896	15,945	16,780	14,176	14,702
British West India Islands	—	—	1,049	116	983	55	3	29	177	—
Other British Possessions	—	—	87	10	52	36	57	32	80	100
Total from British Possessions	—	—	1,136	126	1,035	91	60	61	257	100
Total	—	—	14,574	16,085	15,894	16,987	16,005	16,841	14,433	14,802

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	1,873	1,639	1,093	960	1,329	1,688	1,252	800	859	829
Netherlands	1,092	1,178	836	607	1,091	2,331	2,739	2,286	1,018	1,491
Belgium	167	206	239	215	171	171	158	186	301	215
France	6,918	9,089	9,691	12,633	10,836	10,194	9,023	9,230	9,545	10,246
United States of America	993	1,417	1,679	1,257	1,199	1,294	2,407	3,786	1,939	1,400
Other Foreign Countries	967	833	536	817	494	2,160	640	578	627	931
Total from Foreign Countries	12,010	14,362	14,074	16,489	15,120	17,838	16,219	16,866	14,289	15,112
British West India Islands	203	64	1,049	116	983	55	3	29	182	—
Other British Possessions	678	147	87	10	52	36	57	32	80	100
Total from British Possessions	881	211	1,136	126	1,035	91	60	61	262	100
Total	12,891	14,573	15,210	16,615	16,155	17,929	16,279	16,927	14,551	15,212

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF LIQUEURS, CORDIALS, &c.—*continued.*

(*b*) TABLE showing the VALUES of Liqueurs, Cordials, &c. (not tested), imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Foreign Countries	—	—	156	209	143	700	111	62	42	335
British Possessions	—	—	—	—	—	—	—	—	1	—
Total	—	—	156	209	143	700	111	62	43	335

Imported in Bottles.

Germany	—	—	827	887	1,198	1,103	1,147	1,004	1,236	1,357
Netherlands	—	—	1,059	614	1,453	1,893	2,541	2,168	1,291	1,678
Belgium	—	—	531	406	359	361	305	307	571	456
France	—	—	14,743	18,869	18,596	16,261	15,388	15,863	15,440	17,312
United States of America	—	—	4,246	3,116	4,115	6,209	6,352	8,741	4,709	4,280
Other Foreign Countries	—	—	493	706	412	1,007	444	495	547	728
Total from Foreign Countries	—	—	21,899	24,598	26,133	26,834	26,177	28,578	23,794	25,811
British West India Islands	—	—	1,108	154	1,500	71	1	38	222	—
Other British Possessions	—	—	210	8	61	68	146	50	129	125
Total from British Possessions	—	—	1,318	162	1,561	139	147	88	351	125
Total	—	—	23,217	24,760	27,694	26,973	26,324	28,666	24,145	25,936

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	1,126	1,055	888	891	1,298	1,675	1,162	1,004	1,236	1,357
Netherlands	1,249	1,573	1,059	616	1,453	1,980	2,621	2,227	1,306	1,678
Belgium	255	251	548	406	399	361	305	307	571	456
France	13,562	14,788	14,746	18,869	18,596	16,264	15,388	15,863	15,444	17,622
United States of America	3,452	3,093	4,321	3,317	4,115	6,209	6,352	8,741	4,709	4,280
Other Foreign Countries	827	635	493	708	415	1,045	460	498	570	753
Total from Foreign Countries	20,471	21,395	22,055	24,807	26,276	27,534	26,288	28,640	23,836	26,146
British West India Islands	300	99	1,108	154	1,500	71	1	38	223	—
Other British Possessions	784	192	210	8	61	68	146	50	129	125
Total from British Possessions	1,084	291	1,318	162	1,561	139	147	88	352	125
Total	21,555	21,686	23,373	24,969	27,837	27,673	26,435	28,728	24,188	26,271

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

VI.—IMPORTS OF UNENUMERATED SWEETENED SPIRITS.—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Sweetened Spirits, Unenumerated, imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	—	—	9,604	10,085	4,100	1,007	1,542	1,415	1,763	4,381
Netherlands	—	—	912	849	1,042	693	946	853	1,191	1,017
Belgium	—	—	229	315	322	328	213	284	308	369
France	—	—	1,673	3,588	3,343	2,668	2,641	2,688	3,188	2,853
United States of America	—	—	3,710	4,401	2,953	1,823	3,081	3,050	3,816	3,090
Other Foreign Countries	—	—	404	470	384	629	414	820	522	1,063
Total from Foreign Countries	—	—	16,532	19,708	12,144	7,148	8,837	9,110	10,788	12,773
From British Possessions	—	—	29	91	16	155	98	188	55	168
Total	—	—	16,561	19,799	12,160	7,303	8,935	9,298	10,843	12,941

Imported in Bottles.

Russia	—	—	3,893	6,897	6,354	6,041	5,603	6,785	6,614	6,300
Denmark	—	—	2,896	2,996	3,210	2,983	3,221	3,249	2,955	3,225
Germany	—	—	8,384	7,438	8,844	7,398	7,620	7,810	8,003	8,112
Netherlands	—	—	6,377	7,376	7,518	7,538	6,016	5,960	6,121	6,057
Belgium	—	—	478	978	1,577	9,901	793	756	595	845
France	—	—	40,705	42,502	61,893	48,493	41,952	45,287	46,692	49,328
Italy	—	—	1,754	281	152	596	205	132	240	172
Austria-Hungary	—	—	3,009	3,389	3,136	3,075	2,879	2,962	2,904	3,722
United States of America	—	—	10,427	11,662	11,271	12,652	14,858	11,505	11,504	14,548
Other Foreign Countries	—	—	420	665	733	734	5,001	8,084	7,489	6,698
Total from Foreign Countries	—	—	78,343	84,184	104,688	99,411	88,148	92,530	93,117	99,007
British West India Islands	—	—	6,999	7,755	6,880	6,657	7,323	6,746	8,013	6,110
Other British Possessions	—	—	33	186	3,507	193	464	836	842	635
Total from British Possessions	—	—	7,032	7,941	10,387	6,850	7,787	7,582	8,855	6,745
Total	—	—	85,375	92,125	115,075	106,261	95,935	100,112	101,972	105,752

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Russia	6,396	6,655	3,961	6,897	6,354	6,045	5,603	7,004	6,614	6,300
Denmark	3,123	3,673	2,934	3,080	3,324	3,103	3,333	3,329	3,045	3,851
Germany	16,445	14,308	17,988	17,523	12,944	8,405	9,162	9,225	9,766	12,493
Netherlands	7,772	7,799	7,289	8,225	8,560	8,231	6,962	6,813	7,312	7,074
Belgium	1,133	1,329	707	1,293	1,899	10,229	1,006	1,040	903	1,214
France	49,407	53,551	42,378	46,090	65,236	51,161	44,593	47,975	49,880	52,181
Italy	922	665	1,920	307	211	708	285	164	276	278
Austria-Hungary	3,058	3,239	3,009	3,685	3,136	3,075	2,879	3,102	2,904	3,803
United States of America	10,578	12,936	14,137	16,063	14,224	14,475	17,939	14,555	15,320	17,638
Other Foreign Countries	1,394	872	552	729	944	1,127	5,223	8,433	7,885	6,948
Total from Foreign Countries	100,228	105,027	94,875	103,892	116,832	106,559	96,985	101,640	103,905	111,780
British West India Islands	8,148	8,027	6,999	7,794	6,896	6,671	7,421	6,885	8,020	6,118
Other British Possessions	182	207	62	238	3,507	334	464	885	890	795
Total from British Possessions	8,330	8,234	7,061	8,032	10,403	7,005	7,885	7,770	8,910	6,913
Total	108,558	113,261	101,936	111,924	127,235	113,564	104,870	109,410	112,815	118,693

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF UNENUMERATED SWEETENED SPIRITS—*continued.*

(*b.*)—TABLE showing the VALUES of Sweetened Spirits, Unenumerated, imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	—	—	4,705	5,043	2,008	690	681	1,023	892	1,565
Netherlands	—	—	637	610	680	717	896	805	1,007	752
Belgium	—	—	217	390	227	790	269	285	283	411
France	—	—	2,877	5,518	5,992	4,931	3,834	4,940	5,049	4,919
United States of America	—	—	6,435	6,665	4,374	3,709	4,242	4,909	5,623	6,294
Other Foreign Countries	—	—	194	209	278	268	177	679	273	393
Total from Foreign Countries	—	—	15,065	18,435	13,659	11,105	10,099	12,591	13,127	14,334
From British Possessions	—	—	13	32	63	35	29	41	222	115
Total	—	—	15,078	18,467	13,722	11,140	10,128	12,632	13,349	14,449

Imported in Bottles.

Russia	—	—	4,460	7,687	7,379	6,898	6,489	7,932	8,470	7,404
Denmark	—	—	4,691	4,891	5,315	4,701	5,012	5,239	4,817	5,211
Germany	—	—	9,407	9,228	11,517	10,266	10,415	11,151	11,061	14,740
Netherlands	—	—	11,039	12,052	12,959	14,922	15,681	12,968	7,501	7,962
Belgium	—	—	1,104	2,121	1,770	15,529	1,507	1,513	1,177	2,137
France	—	—	62,460	65,657	92,949	69,849	61,833	68,931	69,886	74,456
Italy	—	—	1,154	249	185	952	260	171	208	263
Austria-Hungary	—	—	6,035	6,552	6,064	4,655	5,365	5,535	5,238	6,848
United States of America	—	—	75,375	75,528	82,381	85,687	90,824	81,430	86,486	112,560
Other Foreign Countries	—	—	601	742	832	1,069	9,100	12,838	14,008	10,568
Total from Foreign Countries	—	—	176,326	184,707	221,351	214,528	206,486	207,708	208,852	242,149
British West India Islands	—	—	11,538	14,411	12,397	12,060	12,676	11,968	14,071	10,902
Other British Possessions	—	—	328	646	1,958	415	641	6,893	1,422	895
Total from British Possessions	—	—	11,866	15,057	14,355	12,475	13,317	18,861	15,493	11,797
Total	—	—	188,192	199,764	235,706	227,003	219,803	226,569	224,345	253,946

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Russia	6,727	6,875	4,475	7,687	7,379	6,903	6,489	8,197	8,470	7,404
Denmark	5,212	5,405	4,712	4,913	5,352	4,753	5,074	5,281	4,863	5,371
Germany	11,458	10,924	14,112	14,271	13,525	10,956	11,096	12,174	11,953	16,305
Netherlands	11,221	10,646	11,676	12,662	13,639	15,639	16,577	13,773	8,508	8,714
Belgium	1,404	1,824	1,321	2,511	2,097	16,319	1,776	1,748	1,460	2,548
France	78,346	82,438	65,337	71,175	98,941	74,780	65,667	73,871	74,935	79,375
Italy	489	471	1,188	273	240	988	295	193	249	328
Austria-Hungary	5,553	6,090	6,035	6,682	6,064	4,655	5,365	5,645	5,238	6,900
United States of America	54,924	71,907	81,810	82,193	86,755	89,396	95,066	86,339	92,109	118,854
Other Foreign Countries	1,622	813	725	775	1,018	1,244	9,180	13,078	14,194	10,684
Total from Foreign Countries	176,956	197,393	191,391	203,142	235,010	225,633	216,585	220,299	221,979	256,483
British West India Islands	13,591	14,047	11,538	14,431	12,460	12,075	12,705	11,993	14,074	10,908
Other British Possessions	545	823	341	658	1,958	435	641	6,909	1,641	1,004
Total from British Possessions	14,136	14,870	11,879	15,089	14,418	12,510	13,346	18,902	15,715	11,912
Total	191,092	212,263	203,270	218,231	249,428	238,143	229,931	239,201	237,694	268,395

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

VII.—IMPORTS OF UNENUMERATED UNSWEETENED SPIRITS.—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of Unsweetened Spirits, Unenumerated, imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Russia	—	—	—	—	—	—	42,263	3,319	—	—
Denmark	—	—	42,630	27,458	33,705	5,102	691	705	863	1,109
Germany	—	—	1,171,696	1,740,822	3,089,210	1,807,596	337,683	185,112	425,930	434,805
Netherlands	—	—	35,689	25,784	7,009	14,825	6,976	4,070	2,785	5,853
Belgium	—	—	147,964	183,973	16,750	23,392	34,278	7,662	2,956	47
France	—	—	1,170	906	2,045	1,291	6,613	6,511	6,080	5,143
United States of America	—	—	2,076	4,333	5,997	26,382	3,412	3,347	3,914	6,120
Other Foreign Countries	—	—	2,004	2,659	3,240	3,237	3,038	4,287	8,300	5,654
Total from Foreign Countries	—	—	1,403,229	1,985,935	3,157,956	1,881,825	434,954	215,013	450,828	458,731
Channel Islands	—	—	—	—	—	249	9,605	297	—	7
Other British Possessions	—	—	—	—	—	94	1,356	11,484	995	4,020
Total from British Possessions	—	—	1,868	151	2,336	343	10,961	11,781	995	4,027
Total	—	—	1,405,097	1,986,086	3,160,292	1,882,168	445,915	226,794	451,823	462,758

Imported in Bottles.

Germany	—	—	2,199	584	699	1,173	1,153	1,822	984	2,179
Netherlands	—	—	604	223	126	190	414	337	320	567
Belgium	—	—	114	66	6,161	7,152	2,149	29	37	46
France	—	—	6,499	4,385	506	1,105	241	183	257	419
United States of America	—	—	13,074	9,215	13,947	13,972	3,705	2,329	796	2,638
Other Foreign Countries	—	—	356	662	2,501	692	1,421	747	255	647
Total from Foreign Countries	—	—	22,846	15,135	23,940	24,284	9,083	5,447	2,649	6,496
From British Possessions	—	—	1,967	773	497	647	10,715	7,024	7,206	5,906
Total	—	—	24,813	15,908	24,437	24,931	19,798	12,471	9,855	12,402

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Russia	—	—	—	—	—	—	42,274	3,361	—	—
Denmark	21,010	38,074	42,688	27,651	33,798	5,412	745	796	955	1,231
Germany	815,157	1,125,611	1,173,895	1,741,406	3,089,909	1,808,769	338,836	186,934	426,914	436,984
Netherlands	37,692	27,051	36,293	26,007	7,135	15,015	7,390	4,407	3,105	6,420
Belgium	17,941	24,200	148,078	184,039	22,911	30,544	36,427	7,691	2,993	93
France	72,902	14,842	7,669	5,291	2,551	2,396	6,854	6,694	6,337	5,562
United States of America	5,483	13,933	15,150	13,548	19,944	40,354	7,117	5,676	4,710	8,758
Other Foreign Countries	33,423	9,038	2,302	3,128	5,648	3,619	4,394	4,901	8,463	6,179
Total from Foreign Countries	1,003,608	1,252,749	1,426,075	2,001,070	3,181,896	1,906,109	444,037	220,460	453,477	465,227
Channel Islands	—	—	—	—	—	347	9,705	415	79	93
Other British Possessions	—	—	—	—	—	643	11,971	18,390	8,122	9,840
Total from British Possessions	12,185	5,619	3,835	924	2,833	990	21,676	18,805	8,201	9,933
Total	1,015,793	1,258,368	1,429,910	2,001,994	3,184,729	1,907,099	465,713	239,265	461,678	475,160

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF UNENUMERATED UNSWEETENED SPIRITS—*continued.*

(*b*) TABLE showing the VALUES of Unsweetened Spirits, Unenumerated, imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Russia	—	—	—	—	—	—	1,990	147	—	—
Denmark	—	—	1,855	1,152	1,141	303	225	153	141	182
Germany	—	—	55,249	67,271	88,083	63,471	18,946	12,882	22,296	21,968
Netherlands	—	—	1,766	1,358	341	779	412	532	505	500
Belgium	—	—	6,493	5,915	958	816	1,615	322	69	27
France	—	—	342	306	1,176	373	1,155	1,271	1,335	1,420
United States of America	—	—	882	1,833	4,288	5,459	1,667	1,627	2,085	2,285
Other Foreign Countries	—	—	587	606	691	581	1,271	1,024	2,295	1,583
Total from Foreign Countries	—	—	67,174	78,441	96,678	71,782	27,281	17,958	28,726	27,965
Channel Islands	—	—	—	—	—	17	385	63	—	9
Other British Possessions	—	—	—	—	—	57	688	1,145	252	847
Total from British Possessions	—	—	113	62	462	74	1,073	1,208	252	856
Total	—	—	67,287	78,503	97,140	71,856	28,354	19,166	28,978	28,821

Imported in Bottles.

Germany	—	—	563	261	448	1,083	1,180	1,462	1,164	1,440
Netherlands	—	—	480	154	89	130	187	168	150	284
Belgium	—	—	57	36	3,509	4,307	937	39	148	48
France	—	—	3,551	2,491	358	554	196	180	313	851
United States of America	—	—	6,955	5,699	8,085	7,408	2,371	3,277	868	2,481
Other Foreign Countries	—	—	228	416	1,739	251	827	397	191	453
Total from Foreign Countries	—	—	11,834	9,057	14,228	13,733	5,698	5,523	2,834	5,557
From British Possessions	—	—	695	486	418	562	6,443	4,550	4,296	3,905
Total	—	—	12,529	9,543	14,646	14,295	12,141	10,073	7,130	9,462

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Russia	—	—	—	—	—	—	1,997	179	—	—
Denmark	1,154	2,328	1,874	1,254	1,217	349	244	243	219	294
Germany	41,339	55,626	55,812	67,532	88,531	64,554	20,126	14,544	23,460	23,408
Netherlands	2,184	1,904	2,246	1,512	430	909	599	700	655	784
Belgium	793	935	6,550	5,951	4,467	5,123	2,552	361	217	75
France	6,770	8,068	3,893	2,797	1,534	927	1,351	1,451	1,648	2,271
United States of America	1,467	7,695	7,837	7,532	12,373	12,867	4,038	4,904	2,953	4,766
Other Foreign Countries	1,896	1,143	796	920	2,354	786	2,072	1,299	2,408	1,924
Total from Foreign Countries	55,603	77,699	79,008	87,498	110,906	85,515	32,979	23,481	31,560	33,522
Channel Islands	—	—	—	—	—	85	450	154	49	56
Other British Possessions	5,963	3,496	808	548	880	551	7,066	5,604	4,499	4,705
Total from British Possessions	5,963	3,496	808	548	880	636	7,516	5,758	4,548	4,761
Total	61,566	81,195	79,816	88,046	111,786	86,151	40,495	29,239	36,108	38,283

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

VIII.—IMPORTS OF PERFUMED SPIRITS—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in liquid gallons, of Perfumed Spirits imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
France	—	—	4,219	5,974	5,238	4,713	5,130	5,159	4,961	3,768
Other Foreign Countries	—	—	131	194	147	311	406	377	411	882
Total from Foreign Countries	—	—	4,350	6,168	5,385	5,024	5,536	5,536	5,372	4,650
From British Possessions	—	—	—	—	65	—	—	—	—	—
Total	—	—	4,350	6,168	5,450	5,024	5,536	5,536	5,372	4,650

Imported in Bottles.

Germany	—	—	794	790	588	521	333	451	255	158
Netherlands	—	—	17,866	16,610	17,225	17,061	16,335	15,896	16,455	14,647
Belgium	—	—	6,398	7,797	5,359	6,993	6,384	6,090	6,714	7,712
France	—	—	22,065	21,556	20,989	21,043	17,527	12,316	10,247	9,908
United States of America	—	—	1,387	1,702	1,494	1,509	1,476	1,681	1,481	1,592
Other Foreign Countries	—	—	29	3	57	40	30	4	24	9
Total from Foreign Countries	—	—	48,539	48,458	45,712	47,167	42,085	36,438	35,176	34,026
Channel Islands	—	—	687	557	530	590	575	513	486	460
Other British Possessions	—	—	14	29	10	134	48	27	51	8
Total from British Possessions	—	—	701	586	540	724	623	540	537	468
Total	—	—	49,240	49,044	46,252	47,891	42,708	36,978	35,713	34,494

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Germany	898	818	794	814	588	586	333	471	257	189
Netherlands	19,426	19,079	17,866	16,610	17,287	17,307	16,586	16,251	16,864	15,249
Belgium	5,072	5,254	6,529	7,967	5,444	6,993	6,539	6,092	6,714	7,961
France	27,692	28,283	26,284	27,530	26,227	25,756	22,657	17,475	15,208	13,676
United States of America	1,646	1,879	1,387	1,702	1,494	1,509	1,476	1,681	1,481	1,592
Other Foreign Countries	6	11	29	3	57	40	30	4	24	9
Total from Foreign Countries	54,740	55,324	52,889	54,626	51,097	52,191	47,621	41,974	40,548	38,676
Channel Islands	1,162	1,072	687	557	530	590	575	513	486	460
Other British Possessions	92	189	14	29	75	134	48	27	51	8
Total from British Possessions	1,254	1,261	701	586	605	724	623	540	537	468
Total	55,994	56,585	53,590	55,212	51,702	52,915	48,244	42,514	41,085	39,144

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IMPORTS OF PERFUMED SPIRITS—*continued.*

(*b*) TABLE showing the VALUES of Perfumed Spirits imported into the United Kingdom during the Ten Years, 1898 to 1907.

Imported in Casks.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
France	—	—	12,632	18,031	15,445	14,923	15,977	15,006	14,430	11,189
Other Foreign Countries	—	—	546	710	404	302	472	399	422	897
Total from Foreign Countries	—	—	13,178	18,741	15,849	15,225	16,449	15,405	14,852	12,086
From British Possessions	—	—	—	—	33	—	—	—	—	—
Total	—	—	13,178	18,741	15,882	15,225	16,449	15,405	14,852	12,086

Imported in Bottles.

Germany	—	—	968	1,002	972	931	759	826	669	399
Netherlands	—	—	32,484	31,877	30,626	29,322	26,791	27,838	27,451	24,722
Belgium	—	—	15,117	18,677	10,652	13,583	11,740	11,400	13,510	15,553
France	—	—	64,193	65,344	68,650	67,714	59,987	43,099	37,841	36,055
United States of America	—	—	2,163	2,701	2,607	2,599	3,095	2,983	2,588	2,560
Other Foreign Countries	—	—	200	34	146	296	63	25	123	37
Total from Foreign Countries	—	—	115,125	119,635	113,653	114,445	102,435	86,171	82,182	79,326
Channel Islands	—	—	1,090	919	896	1,033	1,065	958	881	845
Other British Possessions	—	—	33	54	35	723	315	80	142	47
Total British Possessions	—	—	1,123	973	931	1,756	1,380	1,038	1,023	892
Total	—	—	116,248	120,608	114,584	116,201	103,815	87,209	83,205	80,218

Total Importations in Casks and Bottles.

Countries whence Imported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Germany	1,077	1,154	968	1,032	972	966	759	829	672	461
Netherlands	37,080	35,960	32,484	31,877	30,686	29,589	27,049	28,230	27,870	25,356
Belgium	12,307	12,370	15,663	19,357	10,996	13,583	11,954	11,404	13,510	15,754
France	78,176	79,870	76,825	83,375	84,095	82,637	75,964	58,105	52,271	47,244
United States of America	2,383	2,866	2,163	2,701	2,607	2,599	3,095	2,983	2,588	2,560
Other Foreign Countries	14	41	200	34	146	296	63	25	123	37
Total from Foreign Countries	131,037	132,261	128,303	138,376	129,502	129,670	118,884	101,576	97,034	91,412
Channel Islands	2,143	2,021	1,090	919	896	1,033	1,065	958	881	845
Other British Possessions	87	371	33	54	68	723	315	80	142	47
Total from British Possessions	2,230	2,392	1,123	973	964	1,756	1,380	1,038	1,023	892
Total	133,267	134,653	129,426	139,349	130,466	131,426	120,264	102,614	98,057	92,304

NOTE.—Imports in Casks and in Bottles were not separately recorded prior to 1900.

IX.—EXPORTS OF BRANDY, RUM, AND GENEVA.—QUANTITIES AND VALUES.

(*a*) TABLE showing the QUANTITIES, in proof gallons, of the undermentioned Enumerated Spirits, exported from the United Kingdom during the Ten Years, 1898 to 1907.

BRANDY.

Countries to which Exported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.	Gall.
Foreign Countries	19,430	24,004	24,887	22,030	16,595	18,530	52,575	69,173	38,997	25,410
British Possessions	34,242	30,627	38,327	38,438	27,134	34,276	33,218	23,576	28,903	33,981
Total	53,672	54,631	63,214	60,468	43,729	52,806	85,793	92,749	67,900	59,391

RUM.

Germany	322,261	357,477	394,341	274,017	315,847	299,159	308,771	354,171	360,355	434,343
Other Foreign Countries	241,600	282,553	260,103	238,144	250,280	249,102	261,282	218,636	193,727	221,331
Total to Foreign Countries	563,861	640,030	654,444	512,161	566,127	548,261	570,053	572,807	554,082	655,674
Australia	210,412	190,507	198,668	308,931	219,199	203,697	244,862	200,602	297,313	352,002
Other British Possessions	136,188	109,300	116,046	106,042	119,608	203,069	159,177	133,379	144,400	122,771
Total to British Possessions	346,600	299,807	314,714	414,973	338,807	406,766	404,039	333,981	441,713	474,773
Total	910,461	939,837	969,158	927,134	904,934	955,027	974,092	906,788	995,795	1,130,447

GENEVA.

Foreign Countries	1,678	2,708	3,344	780	2,588	9,949	6,496	5,836	3,450	2,115
British Possessions	8,818	11,525	12,341	14,233	10,988	10,045	8,343	6,798	8,383	10,148
Total	10,496	14,233	15,685	15,013	13,576	19,994	14,839	12,634	11,833	12,263

(*b*) TABLE showing the VALUES of the undermentioned Enumerated Spirits exported from the United Kingdom during the Ten Years, 1898 to 1907.

BRANDY.

Countries to which Exported.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
	£	£	£	£	£	£	£	£	£	£
Foreign Countries	13,456	15,274	17,492	15,237	12,009	15,931	26,113	31,748	26,962	18,698
British Possessions	22,886	22,414	31,263	27,995	23,446	26,061	23,751	19,920	21,229	24,560
Total	36,342	37,688	48,755	43,232	35,455	41,992	49,864	51,668	48,191	43,258

RUM.

Germany	59,921	63,403	78,741	47,077	55,053	57,554	52,441	62,583	62,412	75,686
Other Foreign Countries	41,559	49,243	46,307	38,996	40,024	43,300	39,543	37,120	33,088	38,410
Total to Foreign Countries	101,480	112,646	125,048	86,073	95,077	100,854	91,984	99,703	95,500	114,096
Australia	23,658	21,129	28,384	37,120	24,164	21,086	24,318	19,561	28,415	35,709
Other British Possessions	18,911	18,992	26,150	19,216	18,437	27,808	21,328	21,352	20,542	19,729
Total to British Possessions	42,569	40,121	54,534	56,336	42,601	48,894	45,646	40,913	48,957	55,438
Total	144,049	152,767	179,582	142,409	137,678	149,748	137,630	140,616	144,457	169,534

GENEVA.

Foreign Countries	412	729	632	209	611	2,132	1,313	1,109	733	480
British Possessions	2,089	2,695	2,583	3,003	2,079	2,135	1,790	1,525	1,958	1,770
Total	2,501	3,424	3,215	3,212	2,690	4,267	3,103	2,634	2,691	2,250

X.—TABLE SHOWING THE QUANTITIES OF IMPORTED SPIRITS DELIVERED FOR HOME CONSUMPTION AND THE DUTY RECEIVED THEREON (EXCLUSIVE OF DUTY COLLECTED ON LOCAL TAXATION ACCOUNT) DURING THE LAST TEN FINANCIAL YEARS.

Description of Spirits.		1897–1898.	1898–1899.	1899–1900.	1900–1901.	1901–1902.	1902–1903.	1903–1904.	1904–1905.	1905–1906.	1906–1907.
Brandy	Quantity—proof gallons	2,573,692	2,613,011	2,885,623	2,572,031	2,310,665	2,321,070	2,195,053	2,168,829	2,055,411	2,093,924
	Duty received £	1,329,639	1,350,006	1,518,232	1,417,346	1,274,421	1,281,115	1,211,956	1,196,920	1,134,939	1,157,215
Rum	Quantity—proof gallons	3,986,519	4,094,833	4,726,668	4,292,035	4,057,250	4,098,474	4,123,917	3,955,054	3,954,989	4,292,083
Imitation Rum	Quantity—proof gallons	25,080	17,546	44,080	37,181	26,164	18,184	14,708	10,049	10,943	12,208
	Duty received on Rum and Imitation Rum £	2,072,658	2,124,728	2,470,802	2,344,908	2,211,811	2,229,873	2,241,769	2,147,752	2,148,217	2,331,491
Geneva	Quantity—proof gallons	331,799	339,959	386,553	359,320	361,176	388,811	394,326	386,131	392,738	403,621
	Duty received £	171,414	175,629	210,407	204,613	205,507	222,330	225,738	220,866	224,368	230,390
Foreign Spirits—											
Unenumerated, unsweetened	Quantity—proof gallons	1,248,004	970,099	1,160,167	1,296,777	1,449,316	1,629,924	1,240,815	*303,839	232,938	409,770
	Duty received £	644,688	501,103	600,675	702,303	785,104	888,729	677,679	166,260	127,683	224,356
Unenumerated, sweetened	Quantity—proof gallons	80,765	88,229	101,023	96,137	91,154	88,791	90,405	83,934	83,488	82,072
	Duty received £	41,708	45,572	55,845	55,956	53,727	53,156	54,219	50,250	50,081	49,311
Not tested	Quantity—liquid gallons	4,657	4,259	4,519	3,617	4,117	4,763	4,544	4,313	4,383	4,412
	Duty received £	3,250	2,972	3,362	2,819	3,213	3,718	3,544	3,363	3,429	3,433
Perfumed	Quantity—liquid gallons	41,794	41,308	*43,390	41,757	38,836	38,653	37,418	38,163	37,217	37,927
	Duty received £	34,455	34,056	37,622	37,966	35,342	35,150	34,047	34,707	33,900	34,612
For methylating or use in art or manufacture under Section 8 of the Finance Act, 1902	Quantity—proof gallons	1,715	3,699	6,241	x110,357	643,202	†1,196,711	336,443	11,264	3,413	3,119
	Duty received £	29	61	104	1,839	10,720	23,661	7,009	234	71	53

x Cheap Foreign Plain Spirits.
* The remarkable diminution in 1904-5 and subsequent years is due to the smaller imports of German Plain Spirits.
† Deliveries duty free for use in art or manufacture under Section 8 of the Finance Act, 1902, commenced in the year 1902-3.

APPENDIX D.

Tables handed in by Mr. F. L. Teed.

TABLE I.

Results of the Analyses of "Strong Feints," "Strong Low Wines," "Mixture of Strong Low Wines and Strong Feints," and also of four new Whiskies from the same distillery.

	A	B	C	D	E	F	G
Acidity	7·3	19·1	31·6	34·5	13·4	20·2	10·1
Aldehydes	6·1	10·9	8·2	20·0	20·9	25·7	13·4
Furfural	0·7	0·4	2·1	0·5	0·6	0·5	0·6
Ethers	40·8	53·5	52·9	43·8	30·6	41·8	26·5
Higher alcohols	386·8	489·1	494·2	356·7	312·9	357·1	409·1
Sum of bye-products	441·7	573·0	589·0	455·5	378·4	445·3	459·7

All results in parts per 100,000 fluid parts of absolute alcohol.

A. Strong Feints.
B. Strong Low Wines.
C. Mixture of Strong Low Wines and Strong Feints.
D. and E. Whiskey.
F. New Whiskey (first stage).
G. „ (last stage).

TABLE II.

Average amounts of aldehydes.

New Irish Whiskey (5 distilleries)	22·5
New Lowland Malt (1 sample)	16·6
New Patent Spirit (2 samples)	5·5

Parts per 100,000 fluid parts of absolute alcohol.

TABLE III.

Index to Distilleries.

A. H. S. Persse, Ltd.
B. John Jameson & Son.
C. John Power & Son.
D. Geo. Roe & Co.
E. Dublin Whiskey Distillery.
F. Glen Grant Rothes.
G. Glen Grant Glenlivet.
H. Talisker.
I. Tobermory.
K. Long John.
L. Glenlivet.
M. Linlithgow.
N. North British.
O. Dublin Distillers Company.

Irish Whiskies.

(*a.*)

Distillery	A	A	A	A	A
Ref. No.	19	1	2	3	4
Age	New	New	4 years	7 years	10 years
Acidity	34·5	13·4	27·3	58·0	68·4
Aldehydes	20·0	20·9	8·3	7·3	11·0
Furfural	0·5	0·6	1·1	1·9	1·5
Ethers	43·8	30·6	39·6	38·7	41·5
Higher Alcohols	356·7	312·9	337·8	362·6	361·8
Coefficient of Impurities	455·5	378·4	414·1	468·5	484·2
Non-volatile Residue (per cent.)	0·00	0·00	0·08	0·12	0·12
Strength (actual)	46·1° O.P.	26·0° O.P.	22·3° U.P.	20·2° U.P.	20·1° U.P.

(*b.*)

Distillery	A	A	A
Ref. No.	7	21	22
Age	23 years	New (1st stage)	New (last stage)
Acidity	84·6	20·2	10·1
Aldehydes	55·7	25·7	13·4
Furfural	7·6	0·5	0·6
Ethers	58·6	41·8	26·5
Higher Alcohols	389·6	357·1	409·1
Coefficient of Impurities	596·1	445·3	459·7
Non-volatile Residue (per cent.)	0·14	0·00	0·00
Strength (actual)	5·6° U.P.	46·0° O.P.	45·6° O.P.

(*c.*)

Distillery	B	B	B	B
Ref. No.-	37	38	39	40
Age	New	4 years	7 years	10 years
Acidity	6·7	17·3	31·2	28·9
Aldehydes	12·6	21·6	33·3	35·2
Furfural-	5·3	3·6	4·1	4·3
Ethers	33·4	31·7	34·3	35·6
Higher Alcohols	341·8	378·8	406·5	412·4
Coefficient of Impurities	399·8	453·0	509·4	516·4
Non-volatile Residue (per cent.)	0·00	0·02	0·06	0·02
Strength (actual)	24·9° O.P.	21·5° O.P.	7·8° O.P.	2·0° O.P.

(*d.*)

Distillery	C	C	C	C
Ref. No.-	50	51	52	53
Age	New	3 years	5 years	7 years
Acidity	10·2	15·7	17·8	22·1
Aldehydes	26·4	23·4	33·3	24·7
Furfural	1·9	1·7	1·4	1·5
Ethers	31·0	26·9	29·3	31·0
Higher Alcohols	502·4	462·6	500·0	517·6
Coefficient of Impurities	571·9	530·3	581·8	596·9
Non-volatile Residue (per cent.)	0·00	0·00	0·00	0·04
Strength (actual)	24·2° O.P.	20·7° O.P.	18·3° O.P.	14·3° O.P.

(*e.*)

Distillery	D	D	D	D
Ref. No.-	42	45	46	47
Age	New	About 3 years	7 years	10 years
Acidity	5·0	36·5	41·6	41·8
Aldehydes	28·8	25·0	27·1	26·1
Furfural-	5·3	5·4	5·4	4·8
Ethers	21·6	31·5	42·1	42·3
Higher Alcohols	447·0	521·7	585·7	588·2
Coefficient of Impurities	507·7	620·1	701·9	703·2
Non-volatile Residue (per cent.)	0·00	0·02	0·06	0·08
Strength (actual)	24·9° O.P.	19·5° U.P.	19·2° U.P.	19·6° U.P.

(*f.*)

Distillery	E	E	E	E	Unknown
Ref. No.-	43	49	48	44	26 (Potheen)
Age	New	About 3 years	7 years	10 years	Unknown
Acidity	6·7	35·8	47·0	46·8	33·8
Aldehydes	24·3	21·3	23·3	27·1	30·0
Furfural	6·0	8·9	8·2	4·0	3·0
Ethers	22·9	44·1	40·2	52·4	68·1
Higher Alcohols	447·0	447·8	456·5	551·9	396·1
Coefficient of Impurities	506·9	557·9	575·2	682·2	531·0
Non-volatile Residue (per cent.)	0·00	0·04	0·08	0·12	0·04
Strength (actual)	25·0° O.P.	17·8° U.P.	19·5° U.P.	19·1° U.P.	0·5° U.P.

SCOTCH WHISKIES (HIGHLAND).

(*g.*)

Distillery	F	G	H	I	K
Ref. No.-	5	6	8	9	10
Age	3 years	8 years	5 years	Fine old	7 years
Acidity	58·2	67·1	79·1	46·3	91·9
Aldehydes	17·3	28·1	22·3	15·4	21·3
Furfural	3·5	2·7	2·6	4·4	4·3
Ethers	83·8	67·7	111·6	31·5	55·3
Higher Alcohols	302·9	340·9	348·8	405·4	351·1
Coefficient of Impurities	465·7	506·5	564·4	503·0	523·9
Non-volatile Residue (per cent.)	0·12	0·16	0·14	0·14	0·16
Strength (actual)	8·5° O.P.	0·3° O.P.	9·5° U.P.	9·2° U.P.	17·7° U.P.

(*h.*)

Distillery	K	K	L	L	L
Ref. No.-	11	12	36	35	34
Age	10 years	23 years	3 years	4 years	8 years
Acidity	128·2	106·8	27·5	50·6	70·1
Aldehydes	40·0	22·7	24·5	28·1	25·8
Furfural	6·4	4·0	2·5	1·6	2·1
Ethers	90·2	61·4	61·2	80·0	59·8
Higher Alcohols	352·6	444·9	306·9	355·0	386·6
Coefficient of Impurities	617·4	639·8	422·6	515·3	544·4
Non-volatile Residue (per cent.)	0·16	0·26	0·04	0·06	0·18
Strength (actual)	18·0° U.P.	17·3° U.P.	7·0° O.P.	7·9° O.P.	2·0° O.P.

SCOTCH WHISKIES (LOWLAND).

(*i.*)

Distillery	M	M	M
Ref. No.	13	14	15
Age	New	4 years	11 years
Acidity	11·4	27·3	49·6
Aldehydes	16·6	10·9	35·3
Furfural	2·0	2·8	2·3
Ethers	21·5	25·6	43·0
Higher Alcohols	345·0	316·6	516·4
Coefficient of Impurities	396·5	383·2	646·6
Non-volatile Residue (per cent.)	0·02	0·02	0·10
Strength (actual)	11·1° O.P.	8·0° O.P.	1·8° O.P.

PATENT SPIRIT.

(*j.*)

Distillery	N	N	N	O	Unknown	Unknown
Ref. No.	16	17	18	41	28	27
Age	New	4 years	7 years	New	1 year	5 years
Acidity	5·7	21·3	62·3	6·7	9·6	19·7
Aldehydes	3·9	9·3	14·1	7·0	10·9	13·3
Furfural	trace	0·2	0·6	0·1	0·1	0·3
Ethers	19·4	21·3	35·1	17·1	18·2	28·8
Higher Alcohols	73·9	75·5	76·1	78·4	49·9	73·8
Coefficient of Impurities	102·9	127·6	188·2	109·3	88·7	135·9
Non-volatile Residue (per cent.)	0·00	0·10	0·12	0·00	0·02	0·04
Strength (actual)	11·4° O.P.	8·9° O.P.	7·9° O.P.	25·8° O.P.	9·4° O.P.	6·9° O.P.

(*k.*)

Distillery	Unknown	Unknown	Unknown	Unknown	Unknown
Ref. No.	30	29	31	32	33
Age	1 year	5 years	6 years	6 years	2 years
Acidity	4·1	26·6	26·9	62·5	11·3
Aldehydes	13·9	13·8	18·4	17·4	14·9
Furfural	0·2	0·4	0·3	0·3	0·0
Ethers	46·2	26·4	31·1	47·2	20·8
Higher Alcohols	99·5	74·2	75·2	76·4	51·1
Coefficient of Impurities	163·9	141·4	151·9	203·8	98·1
Non-volatile Residue (per cent.)	0·06	0·06	0·06	0·10	0·04
Strength (actual)	10·6° O.P.	10·8° O.P.	9·3° O.P.	7·5° O.P.	11·5° O.P.

(*l.*)

Distillery	Comber	Cambus		Old Taylor (Bourbon)	American Rye
		1899.	1905.		
Acidity	40·6	20·2	7·7	128·3	158·3
Aldehydes	17·1	11·7	5·3	19·8	44·6
Furfural	0·5	None	None	1·8	5·5
Ethers	61·3	28·1	18·3	109·7	191·5
Higher Alcohols	444·0	48·9	30·1	386 3	401·2
Coefficient of Impurities	563·5	108·9	61·4	645·9	801·1
Non-volatile Residue (per cent.)	0·08	0·0	0·0	0·14	0·18
Strength (actual)	17·0° U.P.	3·9° O.P.	8·2° O.P.	11·3° U.P.	1·7° U.P.

(NOTE.—All results except where otherwise specified are in parts per 100,000 fluid parts of absolute alcohol.)

TABLE IV.

PRICES OF DIFFERENT GRAINS.

	Price per quarter.	Weight per quarter in pounds.
Maize	about 26/–	480
Oats	14/9 to 20/–	304
Wheat	29/– to 44/–	480
Barleys—		
Smyrna malting	31/– to 35/–	448
Tripoli	31/– to 32/–	400
Danubian (feeding)	23/6	400
Morocco	24/6 to 26/–	400
Californian	39/–	448

Extracted from "London Corn Circular" of March 9th, 1908.

English Barleys—		
Malting	34/– to 35/–	448
Pedigree	40/– to 56/–	448
Brewing	31/– to 32/–	448
Feeding	25/– to 26/–	400

Extracted from "Mark Lane Express," March 9th, 1908.

APPENDIX E.

Handed in by Dr. Schidrowitz.

I.
DEFINITIONS OF WHISKEY.

Imperial Dictionary, Glasgow (1884).—"An ardent spirit, distilled generally from barley, but sometimes from wheat, rye, sugar, molasses, etc. . . . There are two chief varieties of whiskies, viz., Malt Whiskey and Grain Whiskey."

Standard Dictionary (*Funk & Wagnall's Co., New York and London*, 1889).—"An alcoholic liquor obtained by the distillation of a fermented starchy compound, usually a grain."

Nuttall's Dictionary (1901).—"A spirit distilled from grain and other substances."

Cassell's English-French Dictionary (1901).—"Whiskey, eau-de-vie de grains."

Encyclopædia Americana (1904).—"The name applied to a well-known liquor distilled from barley, wheat, oats, and other grains; potatoes, beet, and other roots."

Encyclopædia Britannica.—"It is not easy at the present day to define whiskey." It then goes on to describe the various kinds of whiskey, but the writer was evidently under the impression that all "patent still" spirit was "plain" spirit. Thus under the heading "Whiskey" (old volumes of last edition). Under "Distillation" (same volumes) occurs the following: "From fermented infusions of grain, malted and unmalted, and chiefly from barley, whiskey is distilled."

Thé American Cyclopædia (1863).—"A distilled spirituous liquor, made originally from malt and unmalted barley and rye, but now also manufactured from rye alone, Indian corn, or potatoes." (N.B.—Indian corn = maize.)

Blackie's Encyclopædia (1890).—"The name applied to an ardent spirit distilled generally from barley, but sometimes from wheat, rye, sugar, molasses, etc. There are two chief varieties of whiskey, viz., Malt Whiskey and Grain Whiskey . . . the latter is made from various substances, as sugar, molasses, potatoes, but principally from unmalted grain, as Indian corn, barley, oats, etc., dried and ground up. The grain most largely used is Indian corn."

Globe Encyclopædia (*Edinburgh, Thomas C. Jack*, 1879).—"A spirit distilled from grain, 'raw' or 'malted.'"

United States Pharmacopœia.—"An alcoholic liquid, obtained by the distillation of the mash of fermented grain, such as Indian corn, rye, wheat, and barley, or their mixtures."

Morewood, in "History of Inebriating Liquors," published by W. Warren, 140, Capel Street, Dublin, first ed. *1824*, second do. *1838*, shows (page 660, 2nd ed.) that a mixture of malt, bere or barley and *oats* or wheat, was the usual material from which whiskey was then made, oats being preferable to wheat. He also alluded to a "grain" spirit made from potatoes (page 699) in Scotland.

"The Vintners, Brewers, Spirit Merchants and Licensed Victuallers' Guide," published by W. Wetton (Fleet Street), in *1826*, under "malt whiskey," gives the following account of how to make same:—"In making malt whiskey one part of bruised malt, with 4·9 parts of barley meal, and a proportion of seeds of *oats* corresponding to that of the raw grain, are infused, etc."

Scientific Definitions.

Duplais (translation by M. Mackenzie, M.D.), in his "Treatise on the Manufacture of Alcoholic Liquors" (Philadelphia, Henry Carey Baird, 1871) (Patent Office Library), says on page 18:—"The term 'brandy' is used here as a generic to indicate the spirit from grape. From molasses comes rum, from grain, whiskey, etc."

Allen (*Commercial organic Analysis, vol. I., 1885*), page 106:—"Whiskey is a variety of spirit distilled from fermented grain or potatoes."

Allen (*Chemistry of Whiskey.* Journal of Institute of Brewing, Jan. 1897) says (page 30):—"In fact the patent still spirits manufactured in Ireland and the South of Scotland possess some of the characteristics of whiskey, which the true silent spirit made in Germany does not."

Schidrowitz and Kaye (Journ. Soc. Chem. Indust., June 15th, 1905). in a paper on the Chemistry of Whiskey say:—"The grain whiskies are distilled in a still designed for partial rectification, but, as will be seen from the figures below, they are far removed from being silent spirits, and, as we have already stated, they possess very considerable whiskey flavour."

II.
CONTINUOUS STILL.

(Producing from malt a "Highland" type of whiskey in a single and continuous operation.)

Analysis of Products.

1.—*Spent Wash.*

(Results in parts per 100,000 of the liquid.)

(Total Acidity	658)
Volatile Acidity	79
Ethers	33
Higher Alcohols	13
Aldehydes	0
Furfural	4·4
Total of Volatile "Impurities"	129·4

Assuming that the volume of the spent wash is 10 times that of the whiskey, then compared (volume for volume) with the latter, the volatile "impurities" eliminated in the wash are equal to roughly *1,300* (129·4 × 10).

Analysis of Foreshott and Whiskey.

(*Note.*—There is only a very small quantity of Foreshott run. No feints are obtained, for, after the still has steadied itself, it runs *whiskey* continuously until the wash is exhausted.)

	Foreshott.	Whiskey (New).
Alcohol per cent by vol.	70·01 (23 O.P.)	61·75 (8 O.P.)
	(Parts per 100,000 absolute Alcohol The figures in brackets indicate parts per 100,000 of liquid.)	
Total Acidity	198 (138)	12 (7)
Ethers	206 (182)	74 (46)
Higher Alcohols	156 (110)	166 (103)
Total Aldehydes	12 (8)	13 (8)
Furfural	Trace	2·4 (1·5)
Total of "Impurities"	572 (438)	267·4 (165·5)

The Teed "Higher Alcohol" method was also employed, and gave a figure of 204 for the foreshotts and 160 for the whiskey. Leaving the foreshott out of account (as the amount was small and the actual quantity not known), it will be seen that bulk for bulk, roughly eight times as much of the "impurities" are eliminated in the spent wash as passed into the whiskey (1,300 : 165·5).

Comparative Analyses of Continuous Still (two different "Periods") and Ordinary Pot Still Distillation from same Material (Malt) at the same Distillery (*Whiskies*).

	Continuous Still. (March.)	Continuous Still. (Feb.)	Ordinary Pot Still. (Feb.)
Alcohol per cent. by vol.	61·75	60·62	63·33
		(Parts per 100,000 absolute Alcohol.)	
Acidity	12	11	17
Ethers	74	74	64
Higher Alcohols	166	154	198
Total Aldehydes	13	11	10
Furfural	2·4	2·1	3·6
Total "Impurities"	267·4	252·1	292·6

"Higher Alcohols" were also estimated by the Teed method as follows:—

160	132	153

The total "Impurities," according to Teed, would therefore be:—

261·6	230·1	247·6

The product of this continuous still is singularly in flavour like a particular Highland malt whiskey. For the sake of comparison analyses of the "continuous" whiskey and of the Highland malt in question are given below side by side, and it will be seen that there is a remarkable resemblance between them:—

	Highland Malt.		Continuous Still.
	(Parts per 100,000 absolute Alcohol.)		
Acidity	11	.....	11
Ethers	84	.....	74
Higher Alcohols	161	.....	154
Total Aldehydes	7	.....	11
Furfural	2·1	.....	2·1
Total of "Impurities"	265·1	.....	252·1

III.

ANALYSIS OF PRODUCTS OF ONE DISTILLATION AT A HIGHLAND MALT DISTILLERY.

	Spent Wash.		Spent Lees.
	(Parts per 100,000 of liquid bulk.)		
Total Acidity	(468)	.....	144
Volatile Acidity	56		
Ethers	27	.....	11
Higher Alcohols	8	.....	7
Aldehydes	0	.....	0
Furfural	20	.....	0
Total of Volatile "Impurities"	111		162

(*Note.*—By the Teed "Higher Alcohol" method no satisfactory colour could be obtained. To compare these figures with the ultimate whiskey the spent wash figures may be multiplied by 10, the spent lees by 2.)

	Mixed Low Wines and Feints as distilled.		Whiskey obtained.	
Alcohol per cent. by vol.	*21·18*	*(63 U.P.)*	*62·64*	*(10 O.P.)*
Total Acidity	68	(14)	24	(15)
Ethers	109	(23)	49	(31)
Higher Alcohols	106	(22)	132	(83)
Aldehydes	Trace		11	(7)
Furfural	4·0	(0·9)	2·0	(1·2)
(Higher Alcohols—Teed)	207	(44)	167	(105)
Total "Impurities"	287·6	(59·9)	218	(137·2)
Total "Impurities" (Teed)	388	(81·9)	253	(159·2)

Note.—Results are in parts per 100,000 absolute alcohol. The figures in brackets indicate parts per 100,000 of liquid bulk.

It will be noticed that the Highland malt whiskey particularised above gives a coefficient (Teed's method) of only *253*.

Some interesting observations were made in connection with the mixed low wines and feints. The total acidity (by direct titration) was found to be 68. After distilling the acidity of the distillate was found to be equal to 115 (both in terms of 100,000 parts of alcohol). In the same way the ethers determined without a preliminary distillation were found to equal 109, and after distillation 77. These results very clearly indicate the hydrolysis that takes place by simple distillation—by ordinary fire heat, not live steam. I have often obtained similar results with new whiskies (cf. paper on "Distillation of Whiskey," J Inst. Brewing, and also Dr. Bell's results communicated to Select Committee).

In this case also a simple calculation shows that the quantity of "impurities" eliminated in the spent wash and spent lees is roughly 10 times as great as that passing into the whiskey. At the distillery in question 100 volumes of mixed low wines and feints yield roughly:—

Foreshott	7 per cent.	(30 O.P.)
Whiskey	20 „	(15 O.P.)
Feints	30 „	(55 to 60 U.P.)
Spent Lees	43 „	

IV.

ANALYSES OF RESIDUES FROM IRISH POT STILL.

(Results in parts per 100,000 parts of liquid.)

	1. Spent Wash.	2. Spent Lees. (From feint still.)	3. Spent Lees. (Spirit still.)
Total Acid	—	93	76
Volatile Acid	118	—	—
Non-Volatile Acid	—	—	—
Ethers	15	11	15
Higher Alcohols	6	6	5
Furfural	1·3	Nil	Nil
Aldehydes	Nil	Nil	Nil
Total	140·3	110	96

Note.—"Higher Alcohols" were also determined by the colorimetric (Teed) method. The results were (1) 40; (2) 36; (3) 56.

Assuming the volume of the spent wash to be roughly 10 times that of the whiskey, and the volume of spent lees 3 times that of the whiskey, the "impurities" eliminated (comparatively with those present in the whiskey) would be—

	140·3	× 10 =	1,403
plus	110	× 3 =	330
plus	96	× 3 =	288
Total			2,021

Now the "impurities" in the whiskey would be (taking a high figure) about *200* (parts per 100,000 of whiskey or = roughly to 400 computed to alcohol). The quantity of "impurities" eliminated by way of spent wash and spent lees, therefore, is about 10 times as great as the amount passing into the whiskey.

V.

PARTICULARS OF DISTILLATION AT IRISH AND SCOTCH DISTILLERIES.

1. Scotch (Lowland Malt).

Wash still charge.—3,868 gallons, producing 1,403 of low wines at 66·3 U.P.

Low wines still.—1,323 gallons, which yielded—

110	„	foreshott, at 24·1 O.P.
172	„	whiskey, at 19·4 O.P.
390	„	feints, at 41·5 O.P.

Spent wash (pot ale), 2,465 gallons; *Spent lees*, 651 gallons.

Foreshott would be run from start to about 22 O.P.

Whiskey from about 22 O.P. down to proof.

Feints from proof to water.

2. Scotch (Highland Malt).

Foreshott	7 per cent.	(at 30 O.P.)
Whiskey	20 „	(at 15 O.P.)
Feints	30 „	(at 55 to 60 U.P.)
Spent Lees	43 „	

3. Scotch (Lowland Malt).

Total low wines, 1,474 gallons, yielding—

Foreshott	81 gallons.	
Whiskey	195 „	(20 O.P.).
Feints	297 „	
Spent Lees	801 „	

4. Scotch (Highland Malt).

Wash still charge.—3,000 gallons, yielding about 1,200 to 1,300 gallons of low wines.

Spirit still charge.—2,443 gallons, yielding—

Foreshott	58 gallons.
Whiskey	229 „
Feints	1,148 „

In this case the whiskey is run at very low strength, consequently bulk of feints is large.

5. IRISH (Pot Still).

(1) *Wash still charge*, 9,000 gallons. } yielding { Strong low wines, at 24 U.P. / Weak low wines, at 77·6 U.P.

(2) *No. 1. Low wines still*, charge 10,000 gallons at 71 U.P. (W.L.W.) } „ { Strong feints, 1,000 G., at 23·2 O.P. / Weak feints, 4,000 G., at 45·5 U.P. / Spent lees, 5,000 G.

(3) *Spirit still.*

Charge { Strong L. wines, 1,000 at 24 U.P. / Strong feints, 3,500 at 31 O.P. } yielding

Foreshotts	160 at 50 O.P.
Whiskey	1,474 at 48·5 O.P.
Strong feints	1,900 at 36 O.P.
Residue	966 gallons.

The residue (weak feints) for three is mixed with 3,082 gallons (weak low wines and weak feints) at 68 U.P. and re-distilled, yielding—

Strong feints	500 at 20 O.P. and
Weak feints	1,437 at 52 U.P.
Spent lees	2,111

VI.

COMPARATIVE ANALYSES OF PRODUCTS FROM POT STILLS (at same Distillery) WORKING WITH AND WITHOUT PURIFIER.

		Ordinary Pot Still.		Pot Still with Purifier	
A. Foreshott	Alcohol	72·25	...	70·16	Sample taken a few minutes after still boiled.
	Acid	19·2	...	22·9	
	Ethers	294	...	1,068·9	
	H. Alcohols	260	...	434	
	Aldehyde	50·1	...	45·4	
	Furfural	3·4	...	4·4	
B. Whiskey	Alcohol	67·74	...	68·96	Sample taken when running spirits.
	Acid	16·4	...	28 2	
	Ethers	49·4	...	161·5	
	H. Alcohols	102	...	218	
	Aldehyde	11·2	...	28·6	
	Furfural	3·6	...	3·7	

	Wash Still.		
	Few minutes after starting.		After 2 hours
Alcohol	47·30	.....	27·03
Acid	113·1	.....	133·6
Ethers	564·2	.....	214·2
H. Alcohols	420	.....	144
Aldehyde	19·8	.....	5·7
Furfural	Trace	.....	2·6

VII.

(I.) TABLE OF THE MAXIMUM AND MINIMUM RATIOS OF THE COLORIMETRIC AND OXIDATION TESTS IN WHISKIES OF THE SAME CLASSES.

(Based on Tables of Schidrowitz and Kaye, "Journal Soc. Chem. Ind.," June, 1905.)

Source of Whiskey.	Allen-Marquardt Method.	Colour (Amylic) Method.	Ratio.
Highland Malts	142	864	Max. 1 to 6·08
„	196	390	Min. 1 to 1·99
Lowlands	179	980	Max. 1 to 5·47
„	142	264	Min. 1 to 1·86
Campbeltowns	109	504	Max. 1 to 4·62
„	182	357	Min. 1 to 1·96
Islays	162	740	Max. 1 to 4·57
„	200	621	Min. 1 to 3·10
Grains	61	400	Max. 1 to 6·55
„	62	49	Min. 1 to 0·79

(II.) "IMPURITIES" IN FIVE DIFFERENT CLASSES OF SCOTCH WHISKEY.

Using the Allen-Marquardt Method.

(Based on the Tables of Schidrowitz and Kaye.)

Number of Samples.	Class of Whiskey.	Average "Impurity" per 100,000 of AA.	Max.	Min.
16	Campbeltowns	335	510	201
5	Islays	294	337	260
39	Highlands	292	431	223
16	Lowlands	255	350	165
16	Grains	120	191	63

(III.) "Impurities" in the Pot Still Samples.

(Based on Tables of Schidrowitz and Kaye.)

Co-efficient of Impurities.	Number of Samples
200 or less	5
200 — 260	21
260 — 300	14
300 — 350	22
350 and above	11

(IV.) Table of the varying Ratios of the Individual "Impurities" in different Samples in each of the Five Classes of Scotch Whiskey.

(Based on the Tables of Schidrowitz and Kaye.)

	Acids.	Ethers.	Higher Alcohols.	Aldehydes.	Furfural.
Highland Malts	1 : 8	1 : 6	1 : 2	1 : 16	1 : 4
Lowland Malts	1 : 10	1 : 3	1 : 3	1 : 7	1 : 5
Campbeltowns	1 : 8	1 : 3	1 : $1\frac{1}{2}$	1 : 8	1 : 4
Islays	1 : 2	1 : 2	1 : $1\frac{1}{4}$	1 : 2	1 : 4
Grains	1 : 23	1 : 3	1 : $2\frac{1}{2}$	1 : 17	1 : 20

(V.) Variations and Averages of Individual Constituents.

(Based on Tables of Schidrowitz and Kaye.)

Furfural.

	Grain.	Lowland Malt.	Highland Malt.	Campbeltowns.	Islays.
No. of Samples (new)	8	10	23	8	3
„ „ (old)	16	6	16	8	2
Maximum	0·9	5·2	6·3	8·0	5·2
Minimum	0·0	0·0	1·6	2·4	3·8
Average (new)	0/TR	2·9	3·4	3·9	4·4
„ (old)	0·24	3·3	3·7	5·5	4·8
„ (all)	0·16	3·0	3·5	4·7	4·5

Grand average of all Samples, 3·2.

Aldehydes.

No. of Samples (new)	8	10	23	8	3
„ „ (old)	15	6	16	8	2
Maximum	17	54	66	85	40
Minimum	Trace	8	4	11	17
Average (new)	5	22·0	15·4	22·9	25·6
„ (old)	6	17·5	18·6	54·6	18
„ (all)	5·7	20·5	16·7	38·7	22·6

Grand Average of all Samples, 18·6.

Total Acid.

No. of Samples (new)	3	10	23	8	3
„ „ (old)	16	6	16	8	2
Maximum	69	60	83	100	36
Minimum	3	6	10	12	15
Average (new)	4·7	15·4	17·4	17·7	17·7
„ (old)	38·5	34·6	53·4	58·9	34·5
„ (all)	27·3	22·6	32·1	38·5	24·4

Grand Average of all Samples, 30·9.

Ethers.

No. of Samples (new)	8	10	23	8	3
„ „ (old)	16	6	16	8	2
Maximum	55	87	185	140	86
Minimum	20	27	33	53	40
Average (new)	33·5	50·6	67·1	68·6	49·6
„ (old)	38·2	60·5	76·5	86·1	78·5
„ (all)	36·6	54·3	70·9	77·4	61·2

Grand Average of all Samples, 60·6.

Higher Alcohols.

No. of Samples (new)	8	10	20	8	3
„ „ (old)	15	6	17	7	2
Maximum	80	228	235	259	200
Minimum	33	82	112	109	155
Average (new)	49	161	163	175	183
„ (old)	56	143	176	215	158
„ (all)	53	154	169	194	173

Grand Average of all Samples, 143.

VIII.

ANALYSES OF WHISKIES PLACED BEFORE THE SELECT COMMITTEE OF 1890-91 BY DR. BELL. Re-calculated in the terms employed now, *i.e.*, the figures represent grams per 100 litres of Absolute Alcohol.

Table I.—New Pot Whiskies from Different Distilleries.

(Select Committee, page 94.)

No.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	7	48	191	246
2	4	39	191	234
3	5	55	193	253
4	7	27	214	248
5	8	54	191	253
6	17	60	184	261
7	15	58	183	256
8	5	56	193	254
9	4	70	137	211

Table II.—New Patent Whiskies (British).

(Select Committee, page 95.)

No.	Total Acid.	Ethers.	Higher Alcohols.	Total.	
1	4	19	63	86	Probably Irish and Scotch.
2	6	59	63	128	
3	8	25	47	80	
4	4	28	58	90	
5	2	2	18	22	English ?

Table III.

Old Pot Whiskies (Scotch),

Being a series of analyses of Whiskies from the same distillery, taken at different ages. (Select Committee, page 95.)

Age in Years.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	30	123	170	326
2	21	56	214	291
3	25	72	182	279
4	33	54	186	273
5	33	96	191	320
6	33	112	208	353
7	56	35	217	308

Table IV.

Another series from the same Irish Pot Distillery at different ages. (Select Committee, page 95.)

Age in Years.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	14	35	188	237
2	17	33	201	251
3	11	36	212	259
4	12	41	216	269
5	49	48	177	274
6	29	30	205	264
7	11	37	212	260

TABLE V.

Another series from the same SCOTCH POT DISTILLERY at various ages. (Select Committee, page 96.)

Age in Years.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	23	48	177	248
2	24	43	166	233
3	27	52	180	259
4	68	70	200	338
5	32	44	201	277
6	28	75	170	273
7	35	64	184	283

These tables show the very wide variations possible in chemical composition at the same distillery, both as regards the individual constituents and the total bye-products.

TABLE VI.

OLD PATENT Whiskies (English or Scotch), being a series of analyses of Whiskies from the SAME DISTILLERY taken at different ages. (Select Committee, page 96.)

Age in Years.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	8	19	49	76
2	7	23	55	85
3	19	23	40	82
4	11	13	53	77
5	10	2	51	63
6	20	12	53	85
7	17	34	46	97

TABLE VII.

Another series of OLD PATENT (English or Scotch) Whiskies representing the SAME DISTILLERY taken at various ages. (Select Committee, page 97.)

Age in Years.	Total Acid.	Ethers.	Higher Alcohols.	Total.
1	4	22	65	91
2	12	30	44	86
4	10	17	39	66
6	38	33	65	136
7	14	23	33	70

TABLE VIII.

Analyses of FOREIGN PATENT spirits (Bell). (Select Committee, page 100.)

Number.	Total Acid.	Ethers.	Higher Alcohols.	Total
1	6	85	16	107
2	5	29	16	50
3	8	62	16	86
4	14	33	16	63
5	15	26	16	57
6	11	6	5	22
7	5	3	9	17
8	8	931	105	1,044
9	10	6	7	23
10	6	19	11	36
11	8	78	16	102
12	6	73	16	95
13	6	6	5	17
14	6	90	70	166
15	12	15	5	32
16	6	6	5	17
17	5	4	5	14

It will be seen that whereas the lowest of the Scotch patent spirits gives a total of about 63, the foreign patents run down as low as 14. Moreover, although many of the foreign patents show a *total* very similar to the Scotch, yet an analysis of the constituents of which these totals are made up shows that they are quite different types of spirits.

NOTES ON THE ABOVE TABLES.

The above tables comprise analyses from 9 (or possibly 12) pot distilleries (English, Scotch, and Irish), and from 5 (possibly 7) patent distilleries (English, Scotch, and Irish), also a series of foreign patent spirits. As at that time (1891) there were 113 pot distilleries in Scotland and 22 in Ireland, and 13 patent distilleries in Scotland, 8 in Ireland, and 10 in England, making a total of 125 pot distilleries and 31 patent distilleries, these analyses cannot be accepted as representative of the whole industry, but as far as they go they show:—

That there is very wide variation between different pot whiskies from different distilleries.

That there is very wide variation between whiskies from the same distilleries of different years.

That this also applies to the patent spirits.

That the British patent spirits differ very materially chemically from the foreign patent spirits, and that those figures also bear out chemically the contentions: (*a*) that Scotch grain is not silent, and that (*b*) it is a type of whiskey.

It will be noticed both in these analyses, as also in those of Schidrowitz and Kaye, that in the Scotch patent spirits, the higher alcohols, as a whole, are high as compared with the ethers—this also applies to the pot whiskies—whereas, in the case of the foreign spirits, they are either almost "silent," or, where they contain appreciable quantities of bye-products, the ethers are relatively very high as compared with the higher alcohols, that is to say, exactly the reverse. The foreign spirits which are practically silent (Nos. 6, 7, 9, 13, 16, 17) are probably the highly rectified "Hamburg" potato spirits, those containing appreciable amounts of ethers may be the molasses and beet spirits, those with very high amounts of ethers (Nos. 8 and 14) possibly from sugar-cane molasses.

IX.

FURTHER ANALYSES OF PATENT STILL WHISKIES (SCHIDROWITZ).

I.—Scotch Samples sold and consumed Unblended. Sold under name of Distillery.

	Alcohol per cent. by vol.	Extract per cent.	Total Acid.	Non-Volatile Acid.	Ethers.	H. Alcohols (A.-M.).	Aldehydes	Furfural.
Sample A.—Labelled "Three year old grain whiskey. Cameron Bridge Distillery, Fife."—The name and address of the retailer (in Glasgow) also appears on the label. Sold in bottle. Purchased September, 1905	45·48	0·11	16	4	52	58	13	0·18
Sample B.—Labelled "Distilled in 1884. A perfectly pure spirit for medicinal purposes. 'Cambus' grain whiskey."—The name of the retailer (in Glasgow) also appears on the label. Purchased September, 1905	44·79	0·10	32	6	44	62	26	0·31
Sample C.—Taken from Prof. Dewar's Private Cask at the Royal Institution, November, 1905. (This is *Cambus* whiskey)	57·06	0·12	50	40	45	47	9	Trace

Note.—I have personally seen at the retailers in Glasgow (as early as 1904) samples labelled as A and B.

II.—Scotch Patent Still Whiskies made from Malt only (Schidrowitz).

	Alcohol per cent. by vol.	Extract per cent.	Total Acid.	Non-Volatile Acid.	Ethers.	H. Alcohols (A.-M.).	Aldehydes	Furfural.
Distillery No. 49 (J. Soc. Chem. Ind., June, 1905).—New Whiskey	94·77	—	3	—	42	70	3	Nil
Distillery No. 30.—New Whiskey	62·1	—	8	—	44	88	9	Nil

III.—Set of Samples from Scotch Patent Still Distillery (Schidrowitz).

(The produce of this distillery had not previously been examined.)

	Alcohol per cent. by vol.	Extract per cent.	Total Acid.	Non Volatile Acid.	Ethers.	H. Alcohols (A.-M.)	Aldehydes	Furfural.
(*a*) New Whiskey	60·34	—	4	—	25	65	2	—
(*b*) 4 months Sherry Wood	60·76	0·059	24	10	26	31	4	0·07
(*c*) 2 years Plain Wood	59·32	0·026	14	3	25	100	5	Trace
(*d*) 2 years Sherry Wood	59·68	0·244	58	34	40	44	7	0·15

IV.—Irish Patent Still Whiskies (Schidrowitz).

	Alcohol per cent. by vol.	Extract per cent	Total Acid.	Non-Volatile Acid.	Ethers.	H. Alcohols (A.-M.).	Aldehyde	Furfural.
Distillery A.—New	70·76	—	17	—	25	38	—	—
" "	69 87	—	21	—	41	50	—	Trace
" 2 years	70·72	0 01	10	4	24	48	3	Trace
Distillery B.—New	71·94	—	3	—	19	52	—	—
" 1½ years	69·34	0·007	9	1	25	46	1	Trace
Distillery C.—New	71·6	—	—	33	33	50	11	Nil

Note.—Except where otherwise stated, results are in grams per 100 litres of absolute alcohol.

X.

ANALYSES OF IRISH POT STILL WHISKIES (SCHIDROWITZ).

	Alcohol per cent. by vol.	Extract per cent.	Total Acid.	Non-Volatile Acid.	Ethers.	Higher Alcohols (A.-M.)	Aldehydes	Furfural.
Distillery A.—New	71·72	—	7	—	34	145	12	5·5
,, 13 years plain wood	57 08	0·04	29	8	38	185	68	3·3
Distillery B.—New	74·11	—	6	—	28	233	8	4·1
,, 13 years plain	60·47	0·05	32	8	47	264	21	4·4
Distillery C.—14 years sherry	63·42	0·29	87	44	87	226	32	4·5
Distillery D.—Mature	46·64	0·13	67	26	59	147	16	2·6
AMERICAN WHISKIES (SCHIDROWITZ).								
Bourbon Whiskey A.—5 years	49·40	0·14	126	40	99	197	11	2·2
,, ,, *B.*—Mature	47·78	0·56	122	30	78	129	14	3·0
Rye Whiskey A.—7 years	56·31	0·18	140	49	134	277	20	3·9
,, *B.*—Mature	49·32	0·16	160	49	141	268	18	3·4
,, *C*—Mature	46·08	0·16	135	31	125	187	21	3·9
,, *D.*—Mature	46·56	0·22	82	21	71	150	13	3·6
,, *E.*—10 years	44·37	0·60	70	18	79	98	11	2·7
Doubtful	45 99	0·21	63	16	69	110	14	2·2

Note re *American Whiskies.*—All the above samples were retail, bottle goods, excepting Rye A, which was received from Dr. Wiley. Both the Bourbon samples and Rye samples A, B, and C, are pot still whiskies, the others probably blends.

The average composition of New and Old Bourbon, and New and Old Rye whiskies (American), based on a large number of analyses of samples examined in the laboratory of the *Department of Agriculture*, U.S.A., are given below. These analyses were kindly transmitted to me by Dr. Wiley, chief chemist of the Department.

		Extract.	Ash.	Total Acid.	Non-Volatile Acid.	Ethers.	Aldehydes	Furfural.	Higher Alcohols (A.-M.)
New Rye Whiskies (19 samples)	Average	12	5·2	11·4	2·2	50·6	17·8	2·4	266·4
	Maximum	27	13·6	28·2	2·4	132·8	86·0	5·2	378·4
	Minimum	2	0·0	2·6	0·0	8·8	0·0	0·0	178·0
Old Rye Whiskies (76 samples)	Average	363·2	17·8	147·6	21·4	137·0	27·6	4·6	352·0
	Maximum	456·0	38·2	312·4	33·4	287·4	47·2	14·0	585·8
	Minimum	226·5	2·0	72·8	13·4	60·0	4·4	0·8	146·6
New Bourbon Whiskies (18 samples)	Average	16·0	5·2	16·4	0·0	45·0	7·8	Except in 5 cases	229·4
	Maximum	110·0	35·4	39·2	0·0	112·8	36·2	Traces only—6·8;	343·4
	Minimum	2·8	0·0	3·6	0·0	1·8	0·0	6·4; 1·0; 12·8; 4·0.	70·6
Old Bourbon Whiskies (75 samples)	Average	308·6	21·8	137·6	16·8	103 6	19·4	3·8	287·2.
	Maximum	456·6	161·6	203·8	24·0	209·0	46·4	16·2	517·0
	Minimum	94·6	0·0	69·4	4·6	39·0	7·2	1·4	50·4

Note.—In all the above tables, except where otherwise stated, the figures represent grams per 100 litres of absolute alcohol, *i.e.*, parts per 100,000 parts of alcohol.

XI.

EXAMINATION OF 10 AUTHENTICATED SAMPLES (from 9 different Distilleries) OF SCOTCH POT STILL WHISKIES BY DR. TEED'S METHOD.

Nature of Samp'e.	Grams per 100 Litres Absolute Alcohol.						
	Alcohol per cent. by vol.	Volatile Acid.	Ethers.	"Higher Alcohols" (Teed).	Aldehydes.	Furfural.	Total "Coefficient."
1. Highland Malt (New)	63·5	16	78	200	11	2 4	307·4
2. Highland Malt (Mature)	60·8	37	73	208	9	2·4	329 4
3. Highland Ma.t (New)	63·5	11	89	201	7	2·1	310·1
4. Lowland Malt (New)	63 3	16	64	153	10	3·6	246·6
5. Lowland Malt (Mature)	59·1	40	102	187	28	4·5	361·5
6. Highland Malt (New)	63·7	15	52	325	6	1·6	399·6
7. Lowland Malt (New)	63·1	15	52	363	14	2·6	426·6
8. Campbeltown (Mature) *	59·8	32	63	405	40	8·0	548·0
8A. Campbeltown (Mature) *	60·9	72	70	383	30	8·0	563·0
9. Campbeltown (New)	62·1	23	61	325	36	6·1	451·1

The above constitute *all* the authenticated Scotch pot still whiskies which I have examined by this method. The figures for the "coefficient" vary from 246·6 to 563·0, and 5 samples are below, 5 above, the proposed 380 standard.

* *Note.*—Samples 8 and 8A were from the same distillery, and of the same age (6 years). Sample 8 was stored in "plain," sample 8A in "sherry" wood.

XII.

NITROGEN IN WHISKIES.

Type of Whiskey. Scotch Whiskies (New).	Nitrogen (as Ammonia) in Grams per 100 Litres Absolute Alcohol.
Highland Malts	0·14
	0·09
	0·19
	0·14
	0·19
	0·14
Lowland Malts	0·11
	0·14
	0·30
Campbeltowns (Malt)	0·14
	0·08
Grains	0·11
	0·06
	0·08
	0·14
	0·03
	0·03

Each figure above refers to a separate distillery, and the results comprise all the new Scotch whiskies I have examined in this way.

American Rye Whiskies (Matured)	0·26
	0·30
	0·39

I have tested a number of grain whiskies with the usual alkaloid reagents, but so far have failed ever to obtain evidence of the presence even of the slightest traces of such substances.

The method of estimating the nitrogen was as follows:—To 200 cc. of the whiskey, 0·2 grams of tartaric acid were added, and the whole evaporated to a small bulk. The residue was transferred to a flask, made alkaline with caustic alkali and then steam distilled. The distillate was again rendered acid with tartaric acid, evaporated to a small bulk, transferred to a Kjeldahl apparatus, and treated in the usual manner with strong H_2SO_4 and K_2SO_4, The ultimate distillate was Nesslerised.

Notes on the Nitrogen Estimation.—In some cases the distillate obtained after steam distilling (first stage) had a distinctly basic odour (resembling tobacco smoke). This was particularly noticeable in the case of the heavy malts. On acidifying the liquid this odour disappeared, and generally became pleasantly ethereal.

In this connection it is interesting to note that frequently, particularly in the case of the *new* Campbeltowns, Islays, and heavy Highland and Lowland whiskies, the *distillates* obtained on distilling the whiskies after treatment with alkali are of a strong yellow or yellowish green colour.

APPENDIX F.

EXTRACTS FROM PAPERS HANDED IN BY DR. SCHIDROWITZ.

I.

"THE CHEMISTRY OF WHISKEY."

PART II.

By PHILIP SCHIDROWITZ, Ph.D., F.C.S., and FREDERICK KAYE, A R.C.Sc.

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The secondary products in a spirit of any kind—referring to new spirit—are obviously dependent upon the nature of the raw materials or on the method of manufacture. As regards pot-still whiskey the chief points of interest appeared to us to be the effect of the use of peat in kilning the malt, and the result of the fire-action in the still, that is, the effects produced by the impinging of a naked flame on the liquid, and particularly the solid contents of the still. We were inclined to believe that a considerable part of the flavour of pot whiskey is due to this fire-action, and, starting from this hypothesis, we obtained results of interest, but, for reasons stated below, we have had to materially modify our views in this connection. We thought that fire-action would necessarily produce dry distillation in some more or less modified form of the solid particles in the still, which, notwithstanding the use of stirring apparatus, must, in part, be in close proximity to the still bottom. These solid particles consist mainly of woody or cellulosic material derived from the grain, and of yeast. It occurred to us, that by exaggerating this fire-action by suitable methods in the laboratory, we might obtain, in relatively large quantities, those substances which are formed in minute amount in the still. The simplest yet at the same time the most radical way of testing this view was to dry distil material identical with or similar to that present in the solid shape in the working still. The products resulting from the dry distillation of woody matter are well known, and we therefore confined our experiments in this regard to the dry distillation of distillery yeast, respecting which we could find no information in literature. A large number of experiments in this direction were made both in the laboratory and on a working scale. Briefly stated, the products obtained are somewhat similar to those formed on distilling bones. They consist mainly of tar bases (fatty amines, and of the pyridine and pyrrol series), tar acids (phenols), a large proportion of nitriles, of neutral hydrocarbons, of organic sulphur compounds (mercaptans), of ammonia salts (chiefly carbamate and chloride), sulphides, thiocyanates, and a large volume of gases consisting chiefly of carbon dioxide, sulphur dioxide, and sulphuretted hydrogen. Having obtained these results we proceeded to examine new pot whiskey, with a view to ascertaining whether any and which of these substances were present in the same. In this we were partially successful, for we obtained distinct evidence of the presence of pyrrol, of phenolic bodies, of an alkaline substance (probably an ammonia salt), of sulphuretted hydrogen, and of sulphurous acid in different whiskies. We are also inclined to think that new whiskies contain traces of nitriles, but the definite identification of these substances in spirits is attended with so much difficulty that we prefer not to mention this otherwise than as a mere suggestion. The work of identifying more closely the substances mentioned, and of estimating some of them, if possible, quantitatively, is being carried on, but progress must necessarily be slow in view of the minute quantities in which they occur.

It will be noticed that all the substances mentioned as having been detected are such as would tend to become changed in time on exposure to air and moisture. Pyrrol under the conditions of cask storage probably resinifies, and this action would no doubt also apply to any other substances of a similar nature that may be present. The phenols may, and probably would, interact with the aldehydes, acids or alcohol to form condensation products, the sulphurous acid and sulphuretted hydrogen would naturally oxidise, and nitriles, if present, would certainly and rapidly condense or be transformed into acids. We have not been able to detect any of the substances alluded to in mature spirit. These facts appear to us to form the basis of a more rational view of maturation than has hitherto prevailed, and although we do not suggest that the maturing process consists merely of the disappearance or transformation of the substances alluded to—in view particularly of the fact that we are aware that material changes take place with regard to the better known constituents, such as furfural, the acids, aldehydes, etc.—yet the disappearance of these substances would certainly appear to account in part for the elimination of the raw and unpleasant character of new, and more particularly of new pot, spirit. Bodies such as these might well be, in conjunction with the aldehydes and furfural, accountable for the curious effects which are attributed to immature spirits.

The basis of the experiments which had the results mentioned above was the assumption that fire-action was one of the chief, if not the main, cause of the production of the characteristic products in pot spirit. In view of the results obtained, this hypothesis might, at the first glance, appear to have received substantial confirmation. We have, however, already stated that our opinion in this respect has undergone considerable modification, and the reason for this is that we have come across pot whiskies—the samples were taken

personally by one of us at the distilleries—distilled by means of slightly superheated steam, the latter being applied by means of a steam jacket, which, as far as we have been able to determine, do not differ materially as regards the specific nature of the secondary products contained, from whiskies distilled by the more general direct fire process. This fact undoubtedly disposes of the assumption that furfural, to mention one of the better known substances, the formation of which is usually attributed to fire-action, is due to the latter, and in this regard the presence, as found by us, of furfural in appreciable quantities in grain whiskies, proves that this substance is not only not attributable to fire-action, but that it is not a specific indication of pot distillation. Since we have discerned no material difference between the specific products of fire and steam distilled pot spirits respectively, it is obvious that the formation of the substances alluded to above—and found by us on the assumption that they are due to dry distillation—is not due to fire-action in the still. We presume, therefore, that, as far as they are obviously specific dry distillation products, they are derived from the peat and coke used in malting, or from the action of the hot gases on the kiln during the drying-off stage.

The results of the analyses are given in detail for the following reasons: (1) That it is only by this method that the interesting and important differences, frequently of a very wide nature, between spirits of the same class and of different classes can be properly illustrated, and that it is only thus that the results can obtain technical importance; (2) that the number of full whiskey analyses published so far is very small; and (3) that this is the first publication, to the best of our knowledge, of a large number of analyses of properly authenticated samples of any spirit whatever, be it of brandy, of whiskey, or of any other potable spirit.

Method of taking samples.—In order to make certain of our material, all the samples were drawn at the distilleries straight from bond, and duly signed or sealed by the authorities in charge. A great number of the samples were drawn by one of us, the remainder were obtained for us (also from bond and authenticated in each case as above) by an agent of our own. In every case, the samples were drawn and submitted to us with the full knowledge and approval of the distillers. We take this opportunity of thanking the proprietors of the various Highland malt, Lowland malt, Campbeltown, Islay and grain whiskey distilleries, not only for their kindness in providing us with samples, but also for the facilities they afforded us in viewing without restrictions the materials employed, the apparatus in use, and the methods of manufacture generally.

The methods of analysis employed were in the main those set out by one of us in the first paper on this subject in this J. (*loc. cit.*). With regard to the higher alcohols, it was stated in the paper alluded to that the colorimetric method, as devised by French investigators for the analysis of brandy, did not give satisfactory results, inasmuch as the shade of colour obtained when operating on whiskey differed sensibly from that given by the control—namely, isobutyl alcohol. It was suggested at the same time that the difficulty might possibly be got over by using a more suitable control, and we have now found that this is the case if, instead of isobutylic alcohol, amylic alcohol (isobutylcarbinol) be employed. This substance gives satisfactory results as far as *shade* of coloration is concerned, but we are very strongly of opinion that no colorimetric process can give really accurate results, were it only for the reason that—as Bell has shown—the higher alcohols in whiskey consist of a mixture of different alcohols, these, no doubt, varying in every individual case, and that it is well known that the coloration produced by the various higher alcohols with sulphuric acid varies enormously in intensity (*cf.* Allen J. Fed. Inst. Brew., III., 1, 24). Thus, neither of the propyl alcohols gives any coloration with sulphuric acid, and this, no doubt, accounts for the low results obtained in the case of the grain whiskies. Moreover, there is some reason for believing that other substances besides the higher alcohols come into play in this reaction. This is (*cf.* Allen, *loc. cit.*) certainly the case with regard to the higher esters, and substances such as pyrrol and the terpenes; the great class of bodies grouped under the name of "essential oils," would also undoubtedly be affected. Nevertheless, we have given the results obtained by the colorimetric process as modified by us, for we think that it may, when compared with the Allen-Marquardt results, afford some rough indication of the quantity of the higher esters, terpenes and other substances, to which we cannot yet give specific numerical expression, present. In order to make the results obtained by the colorimetric process comparable as far as possible with those recorded in literature as obtained (chiefly in the case of brandy) with an isobutyl alcohol standard, we made some experiments to ascertain the relative intensity of colour obtained with this alcohol and with amyl alcohol respectively. The shades produced are not absolutely comparable, but if the figures given by us be divided by 2·5, the results will roughly approximate to those that would be obtained if an isobutyl control solution were used.

The analyses tabulated below comprise spirits from 57 different distilleries. Each distillery is indicated by a number, and where more than one sample from the same distillery was examined, an alphabetical letter is added. For obvious reasons we have refrained from referring to the distilleries by name. A few words with regard to the classification, and the method of manufacture of the different classes, may be of interest. The classification is that adopted by the industry concerned, and may be broadly characterised as indicating varieties of the same genus: *The Highland Malts* are produced (if we except a few distilleries on the islands in the west and north) in the district on the mainland lying north of an imaginary line drawn through Dundee on the east and Greenock on the west. The malt is cured either with peat alone, or with a mixture of peat and coke. *The Lowland Malts* are made south of the imaginary line alluded to. Less peat is used in the preparation of the malt, and occasionally, we believe, peat is dispensed with altogether, especially of late years, owing to the growing taste for a spirit with a less pronounced peaty flavour. *The Campbeltowns* are distilled at the southern end of the Kintyre peninsula.

The *Islays* are made in the island of that name. More peat is used in the preparation of these whiskies than in any of the other classes. We have laid some stress on the amount of peat used, as it is one of the few specific points in manufacture of which we have fairly definite knowledge. It must, however, not be assumed that the use of peat alone is responsible for all the characteristics of Scotch whiskey, for the Lowland malts in the preparation of which little and sometimes no peat is employed, and the Grain whiskies which are made without peat, yet unmistakably possess those broad characteristics of flavour which are associated with the article in question. The differences between the various classes and individuals of the same class are largely dependent, no doubt, on the nature of the barley and other raw materials of a starchy nature employed, on the water, the methods of malting and distilling, the shape and manner of working the stills, etc. We hope, on some future occasion, to give an account of an investigation in this direction. The *Grain* whiskies, in the manufacture of which other cereal grains—partly malted and partly unmalted—besides barley are employed, are made in the district bounded by the Firth of Forth on the east, and the Firth of Clyde on the west. The Grain whiskies are distilled in a still designed for partial rectification, but as will be seen from the figures below, they are far removed from being silent spirits, and, as we have already stated, they possess very considerable whiskey flavour.

Regarding the tables that follow we must mention that the first column shows the age of the spirit in years and months, and the letter following the age indicates the nature of the cask employed for storage. In this respect *P.* stands for *plain wood*; *R.* for *refill wood*, that is a cask which was originally used for the storage of sherry, was then employed once for storing whiskey, was emptied and again filled with spirit; *S.* for *sherry wood*; and *B.* for *brandy wood*. The word *wood* is synonymous with cask.

The brackets in cases of several spirits from the same distillery indicate that the spirit was originally the same, but placed in a different type of cask or submitted to varied conditions of storage, etc., after distillation. Where the age is given as identical, but the samples are not bracketed, the fact is indicated that the different spirits were not taken from one and the same period, which is the term applied to each separate distillation, but that they were distilled within a very short time (a week or two) of one another. The latter results are, of course, not strictly comparable.

Distillery Number.	Age and Wood.	Alcohol Per Cent. by Vol.	Extract Per Cent.	Ash Per Cent.	Total Acid.	Non-vol. Acid.	Volatile Acid.	Ethers.	Higher Alcohols Color. Method.	Higher Alcohols A-M Method.	Aldehydes.	Furfural.
1	new	63·4	0·008	0·004	12	0	12	59	667	201	24	3·2
1*a*	3/7 P	62·0	0·04	0·004	28	2	26	66	582	221	11	3·7
1*b*	3/7 S	61·0	0·38	0·008	49	14	35	49	647	218	10	3·4
1*c*	3/7 B	62·2	0·08	0·004	51	17	34	67	691	—	14	3·4
1*d*	4/9 S	58·6	0·05	0·006	54	17	37	79	485	180	8	3·9
2	new	69·0	0·006	0·001	15	0	15	52	543	166	10	3·9
(damp store) 2*a*	7 P	47·4	0·03	0·005	47	7	40	103	518	171	20	3·4
(dry store) 2*b*	7 P	60·5	0·06	0·008	49	9	40	90	487	161	12	4·7
2*c*	7 S	61·0	0·15	0·02	70	27	43	91	485	179	10	4·2
2*d*	15 B	49·4	0·06	0·007	61	9	52	80	431	160	16	4·9
3	new	62·8	0·01	0·001	14	0	14	64	703	195	10	3·6
3*a*	6/9 P	60·2	0·03	0·002	26	3	23	66	546	138	15	3·6
3*b*	6/9 S	59·5	0·17	0·012	66	35	31	63	480	134	18	2·7
4	new	63·5	0·007	0·001	16	1	15	78	358	126	11	2·4
5	new	60·3	0·01	0·007	12	1	111	59	361	—	4	1·6
6	new	63·6	0·009	0·002	15	1	14	55	491	156	7	1·7
7	new	63·4	0·006	0·002	15	1	14	72	525	181	7	1·9
8	new	62·0	0·009	0·005	19	0	19	33	578	175	18	5·8
9	0/6 P	63·0	0·02	0·003	23	1	22	68	391	142	15	3·1
10	new	63·0	0·02	0·002	22	1	21	48	515	197	30	3·3
11	new	63·4	0·005	0·000	20	—	—	57	543	154	11	3·1
12	0/4	62·6	0·01	0·003	15	1	14	185	328	177	29	4·4
12*a*	3/7 S	60·5	0·37	0·016	77	24	53	92	377	163	28	3·7
13	new	63·8	0·01	0·006	15	0	15	57	479	224	16	3·5
13*a*	7/7 P	57·1	0·16	0·008	32	7	25	50	390	196	16	3·7
13*b*	7/7 S	59·0	0·22	0·018	63	13	50	56	351	145	17	3·7
14	new	63·0	0·006	0·002	18	0	18	43	357	169	6	3·8
15	new	61·2	0·007	0·002	16	0	16	64	812	161	11	4·2
16	new	63·2	0·008	0·002	10	0	10	84	485	112	14	3·2
16*a*	Old. S.	56·0	0·16	0·012	62	21	41	—	481	218	18	2·7
17	5/4 P	61·3	0·04	0·003	83	12	71	101	533	154	19	3·1
18	new	63·7	0·007	0·003	19	0	19	67	480	144	11	5·2
19	new	68·4	0·008	0·002	18	0	18	67	560	133	17	2·7
20	new	62·6	0·01	0·002	22	2	20	63	584	175	37	3·7
21	new	63·1	0·008	0·002	27	2	25	82	864	142	44	6·3
21*a*	5 P	57·7	0·02	0·004	36	2	34	89	845	235	66	4·7
22	new	64·9	0·008	0·002	20	1	19	67	437	129	11	3·0
23	new	63·6	0·006	0·002	22	2	20	69	583	180	5	2·6
24	new	63·7	0·004	0·000	15	1	14	52	422	148	6	1·6

NOTE.—Results, excepting in case of alcohol, extract and ash, are expressed in grms. per 100 litres of Abs. Alcohol.

LOWLAND MALTS.

Distillery Number.	Age and Wood.	Alcohol Per Cent. by Vol.	Extract Per Cent.	Ash Per Cent.	Total Acid.	Non-vol. Acid.	Volatile Acid.	Ethers.	Higher Alcohols Color. Method.	Higher Alcohols A-M Method.	Aldehydes.	Furfural.
25	new	64·1	0·008	0·002	15	3	12	49	296	82	15	4·5
26	new	63·4	0·008	0·002	10	0	10	27	458	123	17	2·5
26*a*	5/9 P	60·7	0·03	0·006	20	3	17	44	501	154	15	3·1
26*b*	5/9 S	62·0	0·06	0·007	32	10	22	52	712	156	15	3·1
27	1/7 R	62 6	0·02	0·004	10	0	10	48	189	101	8	1·6
28	4/8 R	60·0	0·09	0·02	60	16	44	80	539	126	17	3·2
29	new	66·8	0·002	0·000	22	1	21	44	612	172	11	2·1
29*a*	5/8 P	57·5	0·02	0·004	36	2	34	71	980	179	27	5·2
29*b*	5/8 S	58 8	0·09	0·007	50	7	43	68	732	145	24	3·4
30	new	62·1	0·009	0·003	8	0	8	44	405	88	9	0·0
31	new	63·1	0·017	0·008	15	1	14	32	425	169	14	2·6
32	new	63·6	0·009	0·002	19	1	18	70	605	228	30	2 6
33	new	63 0	0·01	0·004	27	0	27	51	516	215	41	3·5
34	new	63·5	0·008	0·002	6	0	6	58	897	222	54	1·7
35	new	63·2	0·01	0·003	21	0	21	87	264	142	18	4·4
36	new	68·4	—	—	11	4	7	44	557	179	14	4·7

NOTE.—Results, excepting in case of alcohol, extract and ash, are expressed in grms. per 100 litres of Abs. Alcohol.

CAMPBELTOWNS.

Distillery Number.	Age and Wood.	Alcohol Per Cent. by Vol.	Extract Per Cent.	Ash Per Cent.	Total Acid.	Non-vol. Acid.	Volatile Acid.	Ethers.	Higher Alcohols Color. Method.	Higher Alcohols A-M Method.	Aldehydes.	Furfural.
37	new	62·1	0·01	0·003	24	1	23	61	443	222	36	6·1
37*a*	5 P	50·1	0·025	0·004	49	3	46	90	723	235	73	6·7
37*b*	5 S	54·5	0·25	0·024	81	23	58	69	737	212	58	6·4
38	new	63·9	0·006	0·002	15	1	14	72	583	212	28	2·7
38*a*	5 P	62·1	0·015	0·004	20	1	19	62	645	166	85	2 8
38*b*	5 B	60·1	0·07	0·008	36	6	30	64	615	203	31	2·5
39	new	62·8	0·01	—	22	0	22	88	357	182	29	5·0
40	new	63·0	0·018	0·004	19	0	19	97	554	172	16	2·9
Cask A.—40*a*	5/7 S	58·7	0·18	0·01	75	16	59	140	930?	—	61	4·7
Cask B.—40*b*	5/7 S	58·8	0·18	0·01	75	22	53	132	846?	239	59	4·7
41	new	63·4	0·013	—	17	1	16	77	367	178	11	4·5
42	new	61·3	0·008	0·004	16	0	16	53	504	109	20	2·9
43	new	63·3	0·014	0·004	17	1	16	59	722	190	28	4 4
43*a*	6/5 P	59·8	0·04	0·004	35	3	32	63	877	259	40	8 0
43*b*	6/5 S	60·9	0·19	0·02	100	28	72	70	698	193	30	8·0
44	new	64·0	0·006	—	12	0	12	42	635	138	15	2·4

ISLAYS.

Distillery Number.	Age and Wood.	Alcohol Per Cent. by Vol.	Extract Per Cent.	Ash Per Cent.	Total Acid.	Non-vol. Acid.	Volatile Acid.	Ethers.	Higher Alcohols Color. Method.	Higher Alcohols A-M Method.	Aldehydes.	Furfural.
45	new	63·6	0·006	0·003	19	0	19	40	620	176	20	4·8
46	new	63·5	0·006	0·001	19	0	19	53	738	174	40	3·8
47	new	66·3	0·007	0·001	15	2	13	56	621	200	17	4·5
47*a*	5 P	60·5	0·04	0·006	36	6	30	71	740	162	18	4·5
47*b*	7 S	60·7	0·16	0·02	73	33	40	86	642	155	18	5·2

NOTE.—Results, excepting in case of alcohol, extract and ash, are expressed in grms. per 100 litres of Abs. Alcohol.

GRAIN WHISKIES.

Distillery Number.	Age and Wood.	Alcohol Per Cent. by Vol.	Extract Per Cent.	Ash Per Cent.	Total Acid.	Non-vol. Acid.	Volatile Acid.	Ethers.	Higher Alcohols Color. Method.	Higher Alcohols A-M Method.	Aldehydes.	Furfural.
48	new	62·8	0·007	0 001	4	0	4	25	58	49	2	0·0
48*a*	5 P	60·1	0·04	0·005	46	3	43	45	89	50	3	0·3
49	new	63·7	0·006	—	3	0	0	23	51	37	trace	0·0
49*a*	5/9 P	63·6	0·02	0·002	16	2	14	25	49	62	6	trace
50	new	61·6	0·01	0·004	4	0	4	55	52	62	17	trace
50*a*	6/4 R	58·7	0·05	0·007	22	4	18	44	73	46	4	trace
51	new	63·1	0·002	0·000	4	0	4	54	93	35	2	0·0
51*a*	5 S	60·9	0·12	0·011	69	18	51	45	70	54	6	0·7
51*b*	5 R	60·7	0·12	0·006	38	10	28	49	145	—	—	trace
52	new	63·8	0·005	0·001	4	0	4	25	58	60	2	0·0
52*a*	6/7 P	58·9	0·02	0·001	17	1	16	39	168	63	2	0·0
53	6 R	56·7	0·08	0·01	37	15	22	27	89	65	4	trace
53*a*	6 S	57·5	0·14	0·02	55	26	29	37	92	68	6	trace
54	new	62·8	0·008	0·000	10	0	10	40	199	70	2	0·0
54*a*	4/2 R	62·6	0·04	0·007	27	2	25	33	178	57	2	trace
54*b*	4/2 S	62·7	0·10	0·01	48	26	22	41	161	58	7	0·4
55	6 R	60·7	0·04	0·006	21	3	18	41	34	35	4	0·9
55*a*	6 S	60·9	0·12	0·01	59	24	35	54	74	40	3	trace
56	new	63·9	0·004	0·0	3	0	3	20	281	51	15	0·0
56*a*	6 R	60·3	0·14	0·002	35	5	30	33	297	57	10	0·4
56*b*	6 S	60·8	0·17	0·01	42	15	27	33	400	61	14	0·5
56*c*	6/9 S	60·8	0·12	0·01	57	15	42	39	278	80	14	0·7
57	new	62·6	0·01	—	6	0	6	26	104	33	trace	trace
57*a*	6/7 P	61·5	0·03	0·003	27	5	22	26	190	47	5	trace

NOTE.—Results, excepting in case of alcohol, extract and ash, are expressed in grms. per 100 litres of Abs. Alcohol.

Conclusions.—Looking at the above results, the first fact which strikes one is the very wide variation in regard to the different constituents, not only between the different classes, but also as between members of the same class. The following table gives the maxima and minima in each class, taking all the spirits together regardless of age.

	Total Acid.	Non-vol. Acid.	Ether.	Higher Alcohols Colorimetric Method.	Higher Alcohols Allen-Marquardt Method.	Aldehydes.	Furfural.
Highland malts	10—83	0—35	33—185	328—864	112—235	4—66	1·6—6·3
Lowland malts -	6—60	0—16	27—87	189—897	82—228	8—54	0—5·2
Campbeltowns -	12—100	0—28	53—140	357—930	160—259	11—85	2·4—8·0
Islays - -	15—36	0—33	40—86	620—740	155—200	17—40	3·8—5·2
Grains - -	3—69	0—26	20—55	39—400	33—80	trace—17	0—0·9

With regard to the effect of maturation we have not drawn up averages for all the classes, as up to the present we have not been in a position, excepting in the case of the grain whiskies, of examining a sufficiently large number of corresponding old samples to make averages in this regard at all representative. In regard to the grain whiskies, the averages for old and new samples respectively are as follows:—

	Total Acid.	Non-vol. Acid.	Ether.	Higher Alcohols Colorimetric Method.	Higher Alcohols Allen-Marquardt Method.	Aldehydes.	Furfural.
Average—New -	4·7	0·0	33·5	113·2	49·3	5	trace
Average—Old -	38·5	10·6	38·2	151·1	56·2	6	0·24

It will be noticed that the old samples show marked increase over the new, in the case of the non-volatile and volatile acids, and the substances indicated by the colorimetric process, and slight, though appreciable differences in regard to the ethers, the higher alcohols, and the furfural. The aldehydes alone—contrary to our expectations—show no marked change. So far as we have been able to examine mature specimens of the other classes these conditions of change appear to be universal, but we prefer, at present, to express no definite opinion in this respect. On referring to the tables it will be seen that the type of cask appears to exercise considerable influence on the course of maturation. We hope to say more about this on another occasion, but meanwhile we may remark that the differences noted in this respect appear to affect principally the acid, the products indicated by the colorimetric process and the aldehydes, and that the sherry cask appears to hasten maturation as compared with other wood. Of very great interest are the results concerning No. 2, where the effects of storage in a damp and in a dry warehouse respectively are plainly evident. It is obvious, too, from No. 40, that the condition of the cask—quite apart from the nature of the wood—is of influence.

It is scarcely, perhaps, within the province of analytical chemistry, to take into consideration such factors as taste and flavour, or of commercial quality except where numerical or scientific expression can be given to such factors, but the technologist cannot pretend to ignore them. Viewed in this light we may say that, taking as the sole practicable standard of commercial quality the *commercial price*, our results show, as might have been expected, that no *single* analytical figure denotes commercial quality. Our remarks in this respect are to be taken as referring to individual members of the same class, for it is out of the question to compare the various classes with one another, as such a proceeding would be about as reasonable as to compare Burgundy with Claret, or the wines of the Rhine with those of the Moselle, or a stock bitter ale with a mild running beer. To take the Highland malts as an example we may point out that Nos. 11, 15, and 19, which are amongst the whiskies fetching the very highest prices, contain only a moderate amount of ethers as compared with Nos. 12, 17, and 21, the latter spirits being by no means regarded as of the first quality. The same applies to any of the other figures taken singly, but at the same time, those spirits which have the greatest reputation commercially, all show a certain "balance" of the figures, taking them as a whole, and class for class, which, in our opinion, augurs well for the role which the chemical technologist in the future will be able to play as an aid to the distiller and blender. Whiskies such as Nos. 5, 8, 12, 15, 17, 18, 21, and 24 (to confine ourselves to one class again) which all show either an excess or a deficiency of certain constituents chemically regarded, are all known to possess commercial characteristics which make them unsatisfactory in some respects particularly in regard to their use as "self" whiskies (*i.e.*, in an unblended state), as far as the taste of the average consumer goes, but valuable by virtue of this excess or deficiency, where other considerations are in view. We have good reason to think that, as is the case with regard to wine or beer, certain of the chemical figures either of themselves or in groups, connote specific attributes, such as "body," fullness of flavour, delicacy, softness and so on, but, as a discussion of these matters is scarcely likely to be of general interest we refrain from going into them further.

II.

"THE DISTILLATION OF WHISKEY."

By Philip Schidrowitz, Ph.D., F.C.S., and Frederick Kaye, A.R.C.Sc.

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Regarded from a technological point of view, it is clear that the Coffey still accomplishes in a single and continuous operation that which requires a series of intermittent operations by way of the pot still, and that it has the advantage over the latter in the matter of economy of heat. Separation, rectification, and concentration are the objects of both forms of distillation, and the processes indeed, notwithstanding the widely different forms of the apparatus employed, are in many respects curiously similar. The analyser corresponds to the wash still of the pot still process, the rectifier to the low wines or spirit still. A liquid corresponding to the low wines of the pot still may be obtained (and is obtained at the sampling stage, as a matter of fact) by tapping the low wines vapour pipe D. The "ether" obtained from the top of the rectifier corresponds to the foreshots of the pot still process, and the "hot feints" of the "patent" still to the feints of the older process. Moreover, feints are run directly, as has been stated, at the beginning and end of the distillation period.

In our introductory remarks, we said that the experimental part of this paper dealt with the chemistry of the distillation process. The latter, as we have pointed out, comprises separation, concentration, and rectifica-

tion of the alcoholic fluid. The separation of alcohol from an aqueous solution and its concentration have, in view of the many researches made in the past in this connection, not occupied our attention, and it is in regard to rectification that our experiments have been made. By rectification we mean the separation of volatile substances other than water from the ethylic alcohol.

The general character of the volatile "bye" or "secondary" products or "impurities" occurring in the distillation of whiskey, more particularly in the finished product, has been the subject of a number of publications (see Schidrowitz, *Journ. Soc. Chem. Ind.*, June, 1902; and Schidrowitz and Kaye, *Journ. Soc. Chem. Ind.*, June, 1905), and this need, therefore, not be discussed here. It is with their relative quantitative occurrence and elimination that we are dealing.

Experimental.

Pot Still Distillation.—The following figures relate to a complete distillation of a Scotch pot still, all malt whiskey.

Particulars of Distillation.

Wash Still Charge.—3,868 gallons, producing 1,403 gallons of low wines at 66·3 U.P.

Low Wines Still Charge.—1,323 gallons, which yielded:

110 gallons foreshots at 24·1 O.P.
172 „ whiskey „ 19·4 O.P.
390 „ feints „ 41·5 U.P.

Pot ale, 2,465 gallons; spent lees, 651 gallons.

Results of Analyses of the Different Fractions.

Explanatory Note.—The results are expressed in parts per 100,000 parts of the liquid examined. The figures in brackets were obtained by recalculating the results to parts per 100,000 parts of absolute alcohol. In the case of the pot ale the *volatile* acid only is taken in calculating the "total." The results for the "feints only" were obtained by calculation, the others by direct analysis.

	Pot ale.	Spent lees.	Low wines.
Alcohol per cent. by vol.	Nil	Nil	20·19
Total acid	868	43·9	41·7 (206)
Volatile acid	63·6	24·9	36·5 (180)
Non-volatile acid	804·4	19·0	5·2 (26)
Ethers	12·9	40·4	70·8 (350)
Higher alcohols*	11·1	8·8	35·2 (174)
Aldehydes	2·8	2·2	2·5 (12·1)
Furfural	2·3	0·3	1·9 (9·4)
Total	92·7	95·6	152·1 (751·5)

Determinations were also made by the so-called "colorimetric higher alcohol" process, and the results obtained (using an iso-butylic control) were as follows: Pot ale, 62†; spent lees, 35†; low wines, 96·5 (478); mixed feints and foreshots, 167 (402); whiskey, 174 (255); foreshot only, 266 (374).

	Mixed feints and foreshots.	Foreshots only.	Whiskey.	Feints only.
Alcohol per cent. vol.	41·50	71·12	68·92	33·15
Total acid	20·9 (50·4)	11·5 (16)	9·6 (13·9)	23·5 (70·7)
Volatile acid	19·4 (46·8)	11·5 (16)	9·6 (13·9)	21·6 (65·0)
Non-volatile acid	1·5 (3·6)	Trace	Nil	1·9 (5·7)
Ethers	151·2 (364)	396·8 (558)	86·5 (125)	81·9 (247)
Higher alcohols*	44·2 (106)	121·0 (170)	159·2 (231)	22·5 (67·8)
Aldehydes	12·5 (30)	80·4 (113)	10·6 (15·4)	Nil
Furfural	2·8 (6·7)	2·8 (2·8)	2·6 (5·3)	3·0 (9·0)
Total	231·6 (556·7)	611·7 (859·8)	268·5 (389·1)	130·9 (394·5)

Samples of pot ale and spent lees from another distillery (also pot still pure malt) were examined, and the results obtained, expressed in the same terms as in the above table (*i.e.*, parts per 100,000 of actual liquid), were as follows:—

	Pot ale.	Spent lees.
Volatile acid	45·2	21
Ethers	14·0	15
Higher alcohol	54·8	15

In looking at the above figures it becomes apparent (1) That a very considerable proportion of the volatile secondary products or "impurities" are directly eliminated by way of the pot ale and of the spent lees, and (2) that the secondary products as a whole or in part, which come over as feints or foreshots, must undergo a considerable modification in composition in the course of their subsequent storage in the feints receiver and of their further use in the low wines still. With regard to both these points it is of interest to note that statements to the effect that nothing is eliminated in pot still distillation have frequently been made, and that this view has up to the present been very widely accepted. The explanation, no doubt, is that, broadly speaking, none of the secondary products of pot still distillation are removed in a manner visible to the *eye*, as is the case, for instance, of the fusel oil in distillation by means of the Coffey still. That these statements were purely theoretical, and not based on any experimental investigation is abundantly clear, but it is somewhat curious that the inherent fallacy of these statements, regarded even from a purely theoretical standpoint, should have passed unnoticed for many years. We refer particularly to the "impurities" eliminated by way of the feints and foreshots, and so indirectly through the spent lees, inasmuch as, in the absence of experimental work, the belief that the pot ale and spent lees as such retained none of the volatile secondary substances is perhaps excusable. If a calculation based on the figures set out above be made, it will be found that roughly two-thirds of the volatile "impurities" passing over are contained in the feints and foreshots, and one-third in the whiskey. Now, if we take the total "impurities" passing over in a first distillation (*i.e.*, of low wines only) as equal to x, then $2/3\ x$ pass to the feints receiver, and $1/3\ x$ into the whiskey. In view of the fact that the feints receiver is a vessel of limited capacity, and that under ordinary circumstances it is impossible to get rid of or to destroy feints and foreshots,§ it is in practice found necessary to try as far as is possible to use up the whole contents of the feints receiver at every subsequent operation. Matters are so arranged that the feints and foreshots amount in volume to about one-third, and the low wines to two-thirds of the whole charge of the low wines or spirit still. Assuming that the composition of the low wines remains fairly constant (and this should be so in order to obtain an even quality of whiskey), we should at the next "period" or run have a charge in the low wines still containing $2/3\ x$ derived from low wines, and (provided there was no change in the feints and foreshots) $2/3\ x$ derived from the mixed feints and foreshots, or a total of $4/3\ x$. Now to keep our whiskey even, we again wish to have only $1/3\ x$ in the same, and it will therefore be necessary on this occasion to remove $3/3\ x$ by way of foreshots and feints. This will obviously entail a smaller yield of whiskey, but for the moment that point may be neglected. At the next distillation $4/3\ x$ will have to be removed, and so on, so

* Determined by the Allen-Marquardt method.

† Doubtful results.

§ Partly on account of revenue restrictions, and partly because it would be uneconomical to waste the ethylic alcohol contained.

that at the twentieth distillation (allowing two periods to the week this would only be one-third to a quarter of the annual season) we should have to remove something like 20/3 x. At the end of the season we should on these lines be dealing with a spirit still charge containing something like 7 to 8 per cent. of impurities. As the contents of the feints receiver are kept at the end of the season until the beginning of the next, it is obvious that if the traditional theory were correct, we should at the end of a few years be distilling feints and foreshots containing 100 per cent. "impurities," and no alcohol at all, and that operations would then necessarily come to a stop inasmuch as each succeeding distillation would necessarily increase the volume of feints and foreshots so rapidly that a fresh receiver would be required every few weeks. The above is merely a *reductio ad absurdum* of the theory that "nothing is removed in the course of pot still distillation." It is quite evident that distillation could not be carried out on these lines, as the increasing quantity of "impurities" in the feints would speedily make it impossible to separate any "whiskey" fraction at all. As a matter of fact it occasionally does occur, where the feints and low wines have not been properly manipulated, that a run is so foul that only foreshots and feints, and no whiskey, are obtained. In such cases a liberal use of charcoal, alkali, etc., is indicated. Sometimes a distiller will apply to the Revenue authorities for a dispensation to permit the dilution of the contents of the receiver, but this indicates bad working.

To give an exact explanation of the changes taking place in the feints and foreshots during storage and redistillation is, in the present state of our experimental knowledge, not possible, but a consideration of the nature of the feints and foreshots and of the operations of the practical distiller affords some indications of the nature of the changes occurring. To begin with, there is little doubt that every successive distillation brings about a partial hydrolysis of the ethers, more particularly of the heavy oily ethers, which in any case would not distil until towards the end of the distillation, *i.e.*, when the alcohol contents of the residue of the still are low. Experimentally, the following figures obtained by us bear this out:

Hydrolysis of Ethers by Simple Distillation (Results expressed in parts per 100,000 of actual liquid).

	Before distillation.	After distillation.
Spent lees	40·4	28·6
Low wines	70·8	62·9
Whiskey	86·5	81·5
Foreshot	396·8	268·2

We have confirmed the above results, in addition, by the estimation of ethers before and after distillation, in numerous *new* whiskies.

Oxydation, there is little reason to doubt, is the main factor in regard to the modification, and consequent disappearance by way of the spent lees, of a part of the aldehydes, furfural and higher alcohols. The use of charcoal in the spirit still has been referred to. This substance appears to act by virtue of the oxygen contained in its pores. The effect of oxydation on the substances alluded to is fairly obvious. Relatively volatile products would be converted into relatively non-volatile substances. Thus acetic aldehyde, for instance, boiling at 21° C. would be transformed into acetic acid boiling at 119° C.

"Impurities" Eliminated Directly by Way of Pot Ale and Spent Lees.

The figures in the tables above afford direct proof that a very considerable proportion of the "impurities" are directly eliminated by way of the pot ale and spent lees. Taking the first set of figures we have:

Pot Ale: 2324* gallons, containing 92·7 parts of volatile "impurities" per 100,000, that is 2·15 parts for the 2324 gallons.

Spent Lees: 651 gallons, containing 95·6 per 100,000 = 0·62 part, or a total for pot ale and spent lees of 2·77 parts.

* Reduced from 2465, as total low wines were not employed.

In the same way we get for *foreshots and feints* 1·16 parts and for the *whiskey* 0·46 part, or a total for all the impurities *passing over* of 1·62 *parts*. In the distillation therefore we have:

Eliminated	2·77 parts.
Not eliminated	1·62 „
Total	4·39 „

that is to say roughly 63 per cent. of the total volatile bye-products of the wash (apart from alcohol and water) are directly eliminated, and 37 per cent. are retained. Of this 37 per cent., however, only about one-quarter, that is some 10 per cent. in all, actually passes into the whiskey.

III.

"THE DETERMINATION OF HIGHER ALCOHOLS IN SPIRITS."—I.

By Philip Schidrowitz, Ph.D., and Frederick Kaye, A.R.C.Sc.

[*Reprinted from "The Analyst," June*, 1905.]

Introductory.

The present experiments were undertaken with a view to examining the relative accuracy, as far as possible, of the various processes devised for the determination of the higher alcohols in spirits, and not primarily with the object of putting forward any new method of our own. The necessity for some revision of this kind is so obvious to all chemists working in this branch of applied analytical chemistry, that an apology for its publication is scarcely necessary; but we may say, in explanation of the apparently scanty nature of the present communication, that the difficulties of the work have exceeded our anticipations. The experiments were commenced some eighteen months ago, but owing to unavoidable interruptions, and to the difficulties encountered, we are not yet in a position to publish the whole of the results obtained so far, as many of these require further confirmation. We nevertheless think it desirable to make this preliminary communication now, stating the general scope of the work, the methods of purification of the substances employed, and giving one short but, we believe, important series of results, namely, those concerning the Beckmann process, of which we, in common with many others, had hoped much, but which, unfortunately, was found to give entirely unsatisfactory results. As far as we are aware, this is the first criticism of this process that has appeared, and this fact—as it may save other workers much time and trouble—we venture to put forward in extenuation of what might otherwise be regarded as a somewhat premature paper.

Scope of Work.—We had as our object the examination of such processes only as seemed *a priori* to afford a reasonable probability of success. We selected the Beckmann nitrite process (E. Beckmann, *Zeit. Unters. Nahr. u. Genussm.*, ii., 709, and ditto, iv., 1057), the Allen-Marquardt method (Analyst, 1891), as modified by one of us (Schidrowitz, *Journ. Soc. Chem. Ind.*, June, 1902), and finally the French colorimetric process (Girard et Cuniasse, "Manuel pratique de l'analyse des alcools et des spiritueux," Paris, 1899: Masson). We purposely refrained from further experiments with the German official process (Röse-Stutzer-Windisch, *Arbeit des Kaiserl. Gesundheitsa.*, 1889, v., 391), inasmuch as one of us (Schidrowitz, *loc. cit.*) had shown that for one class of spirit, namely, whiskey, this process was, at any rate, quite out of the question; it gave, in fact, negative results. As it appeared likely that this might also apply to other spirits, and as one of us had had private communications from distinguished colleagues in several parts of the world confirming these observations, we did not think it worth while to devote our time to the process.

Purification of Materials; Ethylic Alcohol.—The "pure absolute alcohol" of commerce was subjected to fractional distillation in a flask provided with a Young's "rod and disc" head until the resultant product showed no aldehyde reaction, was entirely neutral, and gave satisfactory blank tests with both the Allen-Marquardt and the colorimetric processes.

Carbon Tetrachloride.—This was first shaken with water, then boiled for several hours with chromic acid mixture, subsequently washed first with water, then with very dilute sodium bicarbonate, and finally with distilled water until neutral. The product so obtained was then further purified by distillation.

Amylic Alcohol.—Several methods of purification of the "pure" amylic alcohol of commerce (B.P., 128-132) were tried, but the following was finally adopted as being most satisfactory. The alcohol was successively shaken with dilute sulphuric acid, water, warm milk of lime, then filtered and allowed to stand overnight over solid quicklime, distilled over the latter, treated with freshly ignited sodium sulphate, distilled over the same, and finally fractionated by means of a Young's "rod and disc" apparatus. By this means we were able to obtain a product which distilled entirely within half a degree, namely, at 129·5 to 130° C.

Apparatus.—We found it a matter of very considerable difficulty to obtain an apparatus for the prolonged boiling, in the Allen-Marquardt process, of the carbon tetrachloride solution with the chromic acid mixture which was absolutely air-tight, and would permit of prolonged boiling without loss. Rubber cannot be used, and ordinary corks were found very unsatisfactory. In the same way, neither an ordinary (24-inch) Liebig nor a five-bulb condenser was capable of preventing all loss. Finally we were compelled to resort to an all-glass apparatus, consisting of a 300 c.c. Jena glass Erlenmeyer flask very carefully ground in to a 24-inch Liebig condenser, the central tube of the latter being fitted throughout its length with a Young's "rod and disc." This effectually prevents the slightest loss, and our experience is that an apparatus of this kind, if properly made, lasts for a very considerable time without cracking, and is useful for many other purposes in the laboratory, notably for the saponification of the ethers in spirits. Otherwise the apparatus used needs no special description.

A. The Beckmann Process.

This process consists substantially in a separation of the higher alcohols from the spirit (to which a certain amount of calcium chloride has been previously added) by means of carbon tetrachloride, converting the higher alcohols so isolated into their nitrites by means of nitrous acid set free by the interaction of sodium nitrite and sodium bisulphate, removing the excess of nitrous acid with sodium bicarbonate, decomposing the nitrites with sulphuric acid, and finally titrating the nitrous acid so obtained with permanganate.

Our first experiment was made (following Beckmann's instructions minutely in every detail) with a blank solution of 48·7 per cent. alcohol (by volume). The final titration in this case required some 300 c.c. $\frac{N}{80}$ permanganate, corresponding roughly to 0·8 per cent. of amylic alcohol. This was obviously an impossible result, but blank tests made with the materials (carbon tetrachloride, ice, sulphuric acid, etc.) employed failed to yield any explanation. It became therefore necessary, in the first place, to ascertain whether the fault lay in the actual process of extraction or in the treatment of the carbon tetrachloride solution with nitrous acid, etc. In order to test this point, 150 c.c. of pure carbon tetrachloride were treated with sodium bisulphate and sodium nitrite, as described by Beckmann, were then filtered, the residue being washed in accordance with the instructions, the filtrate treated with bicarbonate, water added until the excess of salt was dissolved, and the whole of the carbon tetrachloride then divided into two portions, one consisting of two-thirds of the whole, the other of the remaining third. The former was finished off according to Beckmann, and required 1·0 to 1·5 c.c. $\frac{N}{80}$ permanganate, the end, point not being sharply marked. The latter was washed with small quantities of water, filtered through a dry filter, the filter washed with a little tetrachloride, and the filtrate then treated in the manner described. In this case 0·5 c.c. permanganate was required. From these results it was quite clear that the process of nitration and subsequent removal of excess of nitrous acid, etc., is not at fault. A second blank experiment with ethylic alcohol only was made, with results practically identical with the first one. It was fairly obvious, therefore, that the extraction was the weak point, and that under the conditions employed by us a certain amount of ethylic alcohol was extracted by the tetrachloride. As we followed Beckmann's instructions minutely, we could only surmise that Beckmann in his experiments employed some peculiarly favourable alcoholic strength; for in this respect his instructions are very vague, saying as he does, that the strength of the spirit to be extracted is not to be more than 50 per cent., but indicating no particular strength, as one might have expected. We therefore attempted to modify the method of extraction, finishing with the usual nitration. It struck us that in this connection the Allen-Marquardt method of extaction, which requires an approximately (according to Allen and Chattaway, *loc. cit.*) exact specific gravity of 1·1 for the solution of brine and alcohol from which the higher alcohols are extracted, might prove useful, and some experiments in this direction were therefore made; these were as follows:—

1. One hundred c.c. of spirit (strength as above) were diluted with brine until they showed a specific gravity of 1·1 (by the hydrometer), and were then extracted according to Allen. The final tetrachloride solution was then treated as in the Beckmann process. Forty c.c. permanganate were used, corresponding in terms of amylic alcohol to 1·1 grams per litre.

2. Two hundred c.c. were extracted with tetrachloride, according to the Allen method, at 15° C. exactly, and at an exact specific gravity of 1·10. After extraction the carbon tetrachloride was divided into two equal portions, the one being treated according to Beckmann, the other according to Allen.

The first required 32 c.c. permanganate (= to, roughly, 0·7 gramme per litre); the second, 2·8 c.c. $\frac{N}{10}$ baryta, of which a part was ascribable to mineral acid. If, however, in this particular case the whole of the 2·8 c.c. baryta employed were calculated in terms of amylic alcohol, it would amount to 0·24 gramme per litre, or about one-third of the blank found in the corresponding Beckmann experiment. As stated, however, a part of the Allen blank was due to mineral acid.

3. Repeated experiment 2. In this case the Beckmann portion required 31·5 c.c. permanganate (= to, roughly, 0·7 gram per litre); the Allen portion required 2·8 c.c. $\frac{N}{1}$ baryta, of which one half was due to mineral acid. The blank in this case was, therefore, 0·12 gram per litre.

4. As experiment 3, except that the specific graivty of the spirit extracted was purposely raised to 1.1235. In this case the Beckmann portion required 25 c.c. permanganate (= to, roughly, 0·4 gram per litre); the Allen portion, as before, an amount of baryta equivalent to, roughly, 0·1 gram per litre.

5. As before, but specific gravity of the fluid extracted was 1·0938. In this case the Beckmann portion required 35 c.c. permanganate (= to, roughly, 0·95 gram per litre); the Allen portion required (excluding the mineral acid) 3·8 c.c. baryta—that is, an amount equivalent to, roughly, 0·34 gram per litre.

The latter experiment indicates that in the Allen-Marquardt process it is desirable not to allow the specific gravity of the alcoholic brine to fall below 1·10.

From these experiments we conclude:—

1. That the Beckmann process as published is unworkable.

2. That the fault lies not in the latter (nitration) part of the process, but in the actual extraction.

3. That the Allen-Marquardt process of extraction undoubtedly does ultimately leave a certain quantity of ethylic alcohol in the carbon tetrachloride extract, but that for some reason unexplained the greater part of this disappears during the oxidation with chromic acid mixture, but is not converted into acetic acid. For this curious phenomenon, which may perhaps account for the somewhat anomalous results occasionally obtained by this process, we suggest the following in explanation:

(*a*) The alcohol is split up into carbonic acid and water; or (*b*) the alcohol forms, by the action of mineral acid present or produced, an organic compound, such as ethyl chloride, for example, which does not possess acid properties.

Whether this curious action affects the higher alcohols also we are not yet in a position to say, but

we hope in our second paper to be able to throw some light on this point in the course of our consideration of the Allen-Marquardt process as a whole. We are still inclined to believe that, if carefully worked, this process is still the most reliable of all those published. It appears to be very little known in some Continental quarters, particularly where the Röse process is most in favour, and in this connection we think it necessary to draw attention to some recent remarks by Karl Windisch on the subject. In a paper on "Brandy," contributed to the *Zeit. Unters. Nahr. u. Genussm.* (No. 8, October 15, 1904), he says (p. 488): "Ph. Schidrowitz examined twelve commercial whiskies, and determined the fusel-oil by the Allen-Marquardt method. In this process the fusel-oil is shaken out with *chloroform*, etc. . . . This process gives *results which are much too low*" (*c.f.* Karl Windisch, *Arbeit des Kaiserl. Gesundheitsa.*, 1889, v., 373). Now, this statement clearly indicates that Windisch is not familiar with the Allen modification of the Marquardt process, for one of the improvements due to Allen was the substitution of carbon tetra-chloride for chloroform. It is also somewhat unfortunate for the contention of Windisch that the work to which he refers as having disproved the value of the Allen-Marquardt process was published some two years before the Allen-Marquardt process saw the light. His criticism, therefore, of the work of one of us in this respect is, to say the least, somewhat premature.

IV.

"THE DETERMINATION OF HIGHER ALCOHOLS IN SPIRITS"—II.

By Philip Schidrowitz, Ph.D., and Frederick Kaye, A.R.C.Sc.

[*Reprinted from "The Analyst" of June*, 1906.]

In our first paper on this subject ("Analyst," June, 1905) we gave the details of our revision experiments on the Beckmann process, and also some few facts concerning the Allen-Marquardt process. In the present communication we wish to record a series of experiments on the Allen-Marquardt process and on the colorimetric (sulphuric acid) method.

B. The Allen-Marquardt Process.

The purification of materials and the apparatus employed were described in our previous paper, and need not, therefore, be referred to again here.

The first series of figures (Table I.) relates to the oxidation of amylic alcohol dissolved in carbon-tetrachloride with chromic acid mixture—that is to say, the quantities of the higher alcohol stated to be present were added directly to the carbon-tetrachloride, and were not obtained by extraction from a dilute alcoholic solution of brine. The object was to ascertain the behaviour of amylic alcohol as such in varying proportions and conditions of the process of oxidation.

Table I.

Oxidation of Amylic Alcohol in Carbon-tetrachloride Solution.

Carbon-tetrachloride 100 c.c.; oxidation mixture, 5 grams bichromate of potash, 30 c.c. H O, 1·5 c.c. strong H_2SO_4.)

No. of Experiment.	Weight of Amylic Alcohol preseut (Grams.)	Weight of Amylic Alcohol found (Grams).	Percentage Gain or Loss.	Duration of Oxidation. (Hours).	Remarks.
1	0·0990	0·0952	− 3·8	8	
2	0·1000	0·0942	− 5·8	8	
3	0·1066	0·0982	− 6·0	8	
4	0·1178	0·1007	− 14·5	8	Double quantity of oxidation mixture.
5	0·1640	0·1610	− 1·8	8	
6	0·1740	0·1760	+ 1·1	8	
7	0·1770	0 1810	+ 2·0	8	
8	0·1874	0·1582	− 15·5	8	
9	0 2367	0·2112	− 15·0	8	
10	0·3324	0·2877	− 13·4	8	Double quantity of oxidation mixture.
11	0·1864	0·1703	− 8·0	10	
12	0·1970	0 2020	+ 7·0	10	
13	0·4140	0·3362	− 18·7	8	
14	1·5338	0·1325	− 26·1	8	Triple quantity of oxidation mixture.

From the above table the following conclusions may be drawn: When the quantity of higher alcohol is not in excess of that ordinarily found by the process in commercial spirits—*i.e.*, up to 0·15 per cent.—the results are very accurate as far as the oxidation is concerned, with a boiling period of eight hours. When the quantity of higher alcohol is substantially above 0·15 per cent., a boiling of ten hours appears desirable (*cf.* Nos. 11 and 12 with Nos. 8, 9, and 10). When the quantity of higher alcohol is markedly over 0·3 per cent. (Nos. 13 and 14) a variation of the method is obviously necessary. This is of little practical importance, as commercial spirits such as whiskey and brandy rarely contain more than 0·13 per cent.

Table II. gives the results obtained by adding known quantities of amylic alcohol to 100 c.c. of pure 50 per cent. ethylic alcohol, diluting with brine and extracting with CCl in the usual manner, and then oxidizing as above.

Table II.

Results of the Allen-Marquardt Process obtained by Working with 50 per cent. Solutions of Ethylic Alcohol containing known Amounts of Amylic Alcohol.

No. of Experiment.	Weight of Amylic Alcohol taken (Grams).	Weight of Amylic Alcohol found (Grams).	Percentage Gain or Loss.	Duration of Oxidation (Hours).
15	0·0610	0·0616	+ 1·0	9
16	0·0942	0·0915	− 2·8	8
17	0·1004	0·1056	+ 5·0	9
18	0·1407	0·1390	− 1·2	8
19	0·1472	0·1415	− 3·9	10
20	0·1992	0·1624	− 18·4	8
21	0·1992	0·1654	− 17·1	8
22	0·2008	0·1693	− 15·6	8
23	0·2008	0·1725	− 14·0	8
24	0·2060	0·2187	+ 6·0	10
25	0·2077	0·2128	+ 2·4	10
26	0·3776	0·3243	− 14 0	10
27	0·3450	0·3432	− 0·5	12

The above results plainly indicate that the process as a whole gives very accurate results when the quantity of higher alcohol is not greater than, roughly, 0·15 per cent. (Nos. 15 to 19). When the percentage of higher alcohol substantially exceeds 0·15 per cent., but does not rise materially above 0·2 per cent., it is necessary to prolong the period of boiling somewhat (*cf.* Nos. 20 to 23 with Nos. 24 and 25). It is obvious, however, that quantities up to 0·35 per cent. can readily be dealt with if the duration of oxidation is extended to twelve hours. In view of the fact, to which we have alluded above, that commercial spirits rarely exceed 0·15 per cent., and that it has now been amply demonstrated that this amount can be successfully dealt with in eight hours with brisk boiling, we do not advocate extending the time to ten or twelve hours, but would suggest that if a result showing more than 0·14 per cent. be obtained, the analysis should be repeated after diluting the spirit with a convenient quantity of pure 50 per cent. alcohol, or taking a smaller quantity of the sample.

We may add that we have examined several hundred samples of commercial spirits (whiskey* more particularly) by this method, and only in the rarest cases have we obtained figures which might be regarded as doubtful. With a little practice the process works smoothly, and the abnormal results which may cause trouble to the novice will be found to become very exceptional indeed. When it is considered that the oxidation is carried out in an open vessel—*i.e.*, not under pressure in a sealed flask or tube—we think it will be admitted that the accuracy of the results obtainable is remarkable. We have little doubt that if the oxidation were performed in a pressure bottle the results might be still more satisfactory, and we intend to make some experiments in this direction in the future. We propose also to make some further experiments in which butylic and propylic alcohols will be substituted for amylic alcohol.

Before leaving the Allen-Marquardt process, it is necessary to refer to some observations and experiments we have made concerning the estimation and nature of the "mineral acid." Allen ("Analyst," 1891) states that the "mineral acid" formed in the course of the process corresponds to, roughly, 2 c.c. of decinormal baryta, and that the actual amount may be estimated by titrating in the first place with baryta, using methyl orange as indicator, and afterwards adding phenolphthalein in order to estimate the organic acids. In the course of a very large number of estimations we noticed that the amount of "mineral acid" thus determined varied widely, but that, almost without exception, it amounted (expressed in terms of the number of c.c. of decinormal baryta employed) to, roughly, one-tenth of the whole. In view of the singularity of this fact, we thought it desirable to make some estimations of chlorine in the solutions finally obtained, in order to ascertain whether this corresponds to the amount of "mineral acid" found by titration. The following figures were obtained:

TABLE III.

No. of Experiment.	Chlorine found (Grams).	Chlorine calculated (Grams.)
1	0·0023	0·0070
2	0·0012	0·0085
3	0·0012	0·0108
4	0·0039	0·0136
5	0·0014	0·0094
6	0·0007	0·0107
7	0·0006	0·0139
8	0·0014	0·0065

It will be observed that in every instance the amount found was very much smaller than the calculated quantity. Indeed, whereas the amount calculated generally approaches to or exceeds a centigram, the amount found is so small in most cases as to be within the experimental error.

It is obvious that the only mineral acid which might reasonably be supposed to be present is hydrochloric acid. These results led us to think that the so-called "mineral acid" might not be mineral acid at all, but that its apparent presence might simply be due to the fact that some organic acids are not without effect on methyl orange. It has long been known (*cf.* Glaser, "Indikatoren der Acidimetrie u. Alkalimetrie," p. 23 *et seq.*, and Schidrowitz, "Analyst," August, 1903) that acetic acid in aqueous solution reacts with methyl orange, and, on the other hand, that this reaction may be prevented, or the pink reaction colour caused to disappear by the addition of a sufficiency of a non-electrolyte such as alcohol or acetone, but we are not aware that the action of aliphatic acids on the indicator has been the subject of quantitative examination. If the explanation of the nature of the "mineral acid" which suggested itself to us were correct, it would follow: (1) That the addition of alcohol or acetone to the ultimate distillates obtained in the Allen-Marquardt process would prevent the appearance of, or, if added subsequently to the addition of the indicator, cause the disappearance of the pink coloration reputedly due to "mineral acid"; and (2) that aliphatic acids such as butyric and valeric acids would in conditions of solution approximating to those of the Allen-Marquardt process show similar results.

Ad. 1.—On examining a number of ultimate distillates of the Allen-Marquardt process on the lines indicated it was found that when an equal volume of alcohol or acetone was added to the solution prior to the addition of the indicator the colour obtained was a pure yellow, and similarly, that when the alcohol or acetone was added to the solution after the indicator had been run in, the solution, which had been a distinct pink, reverted to a plain yellow. In these same test cases also it was found (by titrating an aliquot part of the solution) that the apparent "mineral acid" was quite normal—*i.e.*, about one-tenth of the whole.

Ad. 2.—Some preliminary experiments have been made with acetic, butyric, iso-butyric, and valeric acids, and these entirely confirm the hypothesis stated above. The following figures were obtained:

TABLE IV.

Acetic Acid.

No of Experiment.	Volume of Solution.	Acetic Acid calculated (Grams in Solution).	Acetic Acid found (Grams in Solution).	C.C. $\frac{N}{10}$ Baryta, using Methyl Orange (= apparent Mineral Acid).	C.C. $\frac{N}{10}$ Baryta, Total for Methyl orange and Phenolphthalein Titrations.	Ratio of Total Titration to Methyl-orange Titration.
1	100 c.c.	0·1334	0·1331	3·35	22·18	6·5 : 1
2	,,	0·0667	0·0665	1·35	11·09	8·2 : 1
3	,,	0·0333	0·0332	0·68	5·54	8·2 : 1
4	,,	0·0333	0·0332	0·68	5·54	8 2 : 1
5	,,	0·0266	0·0276	0·54	4·60	8·5 : 1
6	,,	0·0200	0·0192	0·40	3·52	8·8 : 1
7	,,	0·0133	0·0146	0·27	2·44	9·0 : 1
			Butyric Acid.			
8	100 c.c.	0·1614	0·1654	2 24	18·80	8·4 : 1
9	,,	0·1077	0·1100	1·19	12·50	10·1 : 1
10	,,	0·0538	0·0544	0·54	6·19	11·4 : 1
11	,,	0·0215	0·0228	0·22	2·60	12·0 : 1

* *Cf.* Schidrowitz and Kaye, "The Chemistry of Whisky"—II., *Journ. Soc. Chem. Ind.*, June, 1905.

TABLE IV.—*continued.*

*Iso-butyric Acid.**

No. of Experiment.	Volume of Solution.	Acetic Acid calculated (Grams in Solution).	Acetic Acid found (Grams in Solution).	C.C. $\frac{N}{10}$ Baryta, using Methyl-orange (= apparent Mineral Acid.)	C.C. $\frac{N}{10}$ Baryta, Total for Methyl-orange and Phenolphthalein Titrations.	Ratio of Total Titration to Methyl-orange Titration.
12	100 c.c.	0·0835	0·0882	1·64	10·02	6·1 : 1
13	200 c.c.	0·0835	0·0896	1·47	10·18	6·9 : 1
14	100 c.c.	0·0417	0·0448	0·73	5·09	6·9 : 1
15	200 c.c.	0·0417	0·0448	0·65	5·09	7·8 : 1
16	250 c.c.	0·0417	0·0448	0·39	5·09	10·0 : 1
			Valeric Acid.			
17	50 c.c.	0·0211	0·0209	0·33	2·05	6·2 : 1
18	100 c.c.	0·0422	0·0419	0·68	4·11	6·2 : 1
19	150 c.c.	0·0422	0·0419	0·57	4·11	7·2 : 1
20	200 c.c.	0·0422	0·0419	0·49	4·11	8·3 : 1
21	250 c.c.	0·0422	0·0426	0·49	4·18	8·5 : 1

From the above figures it would appear that there is some quantitative relationship between the total acid found by titration and the apparent "mineral acid" on the one hand and between the concentration of the solution and its total volume (as compared with the amount of indicator employed) on the other. The above experiments are of a preliminary nature only, and it would be premature, therefore, to discuss the action of methyl orange on aliphatic acids further at present. We intend to pursue this matter in the future, as it presents a wider interest than that which associates it with the present communication; but as far as the latter is concerned, it is quite clear that the result of the preliminary titration for "mineral acid" in the Allen-Marquardt process may be neglected when the figure obtained is less than or roughly equal to one-tenth of the whole. In doubtful cases, or where great accuracy is desired, a gravimetric estimation of chlorine is indicated.

C. THE COLORIMETRIC (SULPHURIC ACID) PROCESS.

This process, as is now fairly well known in this country (*cf.* Girard et Cuniasse, "Manuel pratique de l'Analyse des Alcools et des Spiritueux"; Paris, Masson, 1899) is based upon the fact that certain higher alcohols, when heated with strong sulphuric acid, give rise to a more or less marked coloration, the intensity of the coloration observed being taken as a measure of the quantity of the higher alcohols present. Numerical expression is given to the colour intensity by comparing the liquid under examination with a standard control solution or solutions, iso-butyric alcohol being the standard higher alcohol generally employed for this purpose. We have repeatedly ("Analyst," June, 1905; Journal of the Society of Chemical Industry, June, 1905, etc.) pointed out the cardinal defects which such a process must possess. In view of the fact that others besides ourselves (Girard et Cuniasse, *loc. cit.*; Mohler, *loc. cit.*; Vasey, "The Analysis of Potable Spirits"; Allen, *Journal of Federated Institute of Brewing*, 1897; Veley, *Journ. Soc. Chem. Ind.*, May 15, 1906, etc., and numerous private communications to the authors) have published facts and figures demonstrating the defects of *principle* inherent in the sulphuric acid process, we cannot but express surprise at the assurance with which results based on this process are put forward. The defects of the process may be summarized under two headings: (1) Defects of Principle, and (2) Defects in Practice.

Defects of Principle.—The main objection to the process under this heading is contained in the fact that the coloration produced by various higher alcohols differs enormously. Thus, if the coloration due to iso-butyric alcohol be taken as = 10, then the colorations due to caprylic alcohol, œnanthic alcohol, amylic alcohol, and the propylic alcohols are 11, 7, 3, and 0 respectively (Mohler, *loc. cit.*). More recently Veley (*loc. cit.*) has published some experiments which throw doubt even on the comparative accuracy of these figures, and it appears probable that the colorations produced are really not due to the higher alcohols at all, but to the traces of impurities they contain. If this is so, it goes far towards explaining the widely different results obtained by different chemists when working on identical samples. However that may be, it must be remembered that the higher alcohols in any given commercial spirit are mixtures, and there is little doubt, in view of the work of Bell, Rabuteau, Ordonneau, and others, that the proportions of the various higher alcohols in any given *type* of spirit (*i.e.*, whether pot still or patent still whiskey, or brandy, etc.) differ according to the type. Moreover, in view of recent work on the formation of the higher alcohols in fermenting worts (Ehrlich), it is plain that even in the same type of spirit the composition of the "fusel" will vary considerably.

In consideration of all these facts, the argument that if a particular alcohol be chosen as the standard or "type," that all results obtained will be of a strictly comparative nature, seems to us to be absolutely untenable; for, in order that this should be the case, it would have to follow that the proportions of the various higher alcohols to one another in any given spirit would have to be a constant, and that the higher alcohol used for the control should be of the same degree of purity (or rather impurity) at all times. There is, however, another grave objection of principle to this process, and that is that there are undoubtedly other substances in spirits besides higher alcohols and besides those which are purposely removed by means of potash or some other dealdehyding reagent), which give a coloration with sulphuric acid. We are unaware of the exact nature of these substances, of their quantity, and of the intensity of coloration they produce, and from our very numerous experiments we have reason to believe that the presence of these substances is of far greater practical importance than has hitherto been suspected (*cf.* our paper on this subject, "Analyst," June, 1905, and discussion thereon). It has been suggested that even if this process does not yield results referring to higher alcohols only, it is, nevertheless, a valuable comparative index of the nature of a spirit. To this we demur, mainly because of our lack of exact knowledge concerning the substances other than higher alcohols which do produce coloration, and because our analytical experience (see tables below) has shown us that the coloration pro-

* It is obvious that the iso-butyric acid employed was not quite pure.

duced by these substances is out of all proportion to the actual higher alcohols, and that it is not even in the narrowest sense indicative of the nature of the spirit examined. It appears to us, therefore, in any case unwarrantable to place on the same numerical or quantitative basis figures referring, on the one hand, to substances of a definite chemical nature, such as the esters, acids, and aldehydes, and, on the other hand, to higher alcohols plus substances of unknown quantity or colorimetric effect. That is to say, assuming that the "colorimetric test" is an index figure of quality, it should be separately returned, and not included in the quantitative "coefficient of impurities."

Defects in Practice.—Of a very real nature is the difficulty of preparing specimens of "pure" iso-butylic (or amylic) alcohol of constant colorimetric intensity for purposes of the control or "type" solutions. If Veley's statements are accepted, this appears to be an absolutely insurmountable objection to the process. The remaining defects in practice (apart from those involving questions of principle) are mainly ascribable to the numerous modifications in detail practised by different workers. To begin with, no less than four different de-aldehyding reagents have been proposed. All of these are apparently in use, and it is unfortunately a fact that the results may differ very considerably, according to the reagent employed. The method of heating the alcoholic solution with the sulphuric acid, again, is of the greatest practical importance (see below), and yet no two workers appear to use exactly the same method. Finally, we are by no means sure that the same method of calculating the amount of "higher alcohols" from the observed coloration is employed by all chemists. We have come across results which have indicated to us that those responsible for the figures are under the apprehension that the coloration observed stands in direct ratio to the "higher alcohols." This, of course, is only the case when the liquid under examination and the control solution exhibit practically equal intensities. We now proceed to give some figures bearing on the points raised above.

1. *Figures illustrating Defects in Principle.*—In a recent number of the *Journal of the Society of Chemical Industry* (June, 1905) we published a series of analyses of whiskies in which the higher alcohols were determined by the Allen-Marquardt and the colorimetric (using an amyl alcohol control) methods respectively. The number of analyses was about one hundred. The results by the latter process are throughout much higher than those obtained by the former; but it would follow that if the composition of the "fusel" was substantially the same in all whiskies, and if the other substances producing coloration were negligible or present in quantities bearing some fixed ratio to the "fusel" (*i.e.*, higher alcohols), the ratio of the results obtained by the two processes would be practically a fixed quantity. This is, however, far from being the case, even for whiskies of the same class. The following table shows the maximum and minimum ratios observed in each individual class of whiskey for results obtained by the two processes in individual samples of the spirit:

TABLE V.

Ratios of Figures obtained by the Allen-Marquardt and Colorimetric Processes respectively (Amylic control).

Type of Whiskey.	Ratio of Allen-Marquardt to Colorimetric Result.	
	Maximum Ratio.	Minimum Ratio.
Highland malt -	1 : 6·1	1 : 2·0
Lowland „ -	1 : 5·5	1 : 1·9
Campbeltown -	1 : 4·6	1 : 2·0
Islay - - -	1 : 4·6	1 : 3·1
Grain (patent still)	1 : 6·6	1 : 0·8

It will be noticed that the variations in each class of whiskey are very large. Since the results on which the above figures are based were published, we have made a considerable number of comparative experiments, in which both the iso-butylic and amylic controls were employed. We append a few of the results obtained herewith:—

TABLE VI.

Parallel Determinations of "Higher Alcohols" by Three Methods.

No. of Experiment.	Type of Spirit.	Allen-Marquardt (Oxidation Method).	Colorimetric Methods.	
			Iso-butylic Control.	Amylic Control.
1	Patent still	300*	204*	1055*
2	„	70	64	102
3	„	58	120	370
4	„	52	46	55
5	Pot still	145	156	628
6	„	185	284	1160
7	„	147	150	430
8	„	217	208	320
9	„	351	248	768
10	Blend	146	155	447
11	„	193	212	431
12	„	92	142	354
13	„	76	76	107
14	„	77	149	191
15	„	43	115	131
16	„	81	208	245
17	„	47	181	334
18	„	53	250	410

The above results, which we have selected from a large number, are fairly representative. It will be noticed (1) that the results obtained with the iso-butylic control are generally much lower than those obtained with the amylic; (2) that in some cases the results by the oxidation and colorimetric (iso-butylic) methods approximate very closely, but that, on the other hand, they frequently diverge to a very marked extent; (3) that generally the results by the oxidation method are a good deal lower than those by the colorimetric (iso-butylic), but that this is by no means always the case; (4) that in some cases the results by all these processes are fairly close. It is obvious that the greatest divergence will occur in those cases in which the mean composition of the higher alcohols differs widely (as far as their colorimetric properties are concerned) from the alcohol used as a standard type, or when the proportion of substances other than higher alcohols, which react colorimetrically with sulphuric acid, is high. It should be noted that the above colorimetric results were obtained by heating in the water-bath for an hour with sulphuric acid, after the spirits had been de-aldehyded by means of Hewitt's reagent (phenylhydrazine *p*-sulphonate of lime).

TABLE VII.

Figures illustrative of Defects in Practice.

(*a*) *Use of Different De-aldehyding Reagents.*

No. of Experiment.†	Reagent used.	
	Hewitt's Reagent.	Meta-phenylene-diamine-hydrochloride.
1	194	184
2	182	189
3	345	227
4	150	179
5	528	480

* The numbers refer to parts per 100,000 of absolute alcohol throughout.

† The control used in the above series was iso-butylic alcohol. The heating was conducted over a naked flame.

TABLE VIII.

(b) Use of Different Methods of Heating (Control, Iso-butylic Alcohol).

No. of Experiment.*	Methods of Heating.	
	Naked Flame.	Water-bath (one hour).
1	194	116
2	150	116
3	345	145
4	238	131
5	227	126

In the following series are set out the results obtained by five different methods:

TABLE IX.

Process.

No. of Experiment.	Allen-Marquardt.	Colorimetric (Iso-butylic Control throughout).			
		De-aldehyding Reagent.			
		Hewitt's Reagent.		M-phenylene-diamine-hydrochloride.	
		Naked Flame.	Water-bath.	Naked Flame.	Water-bath.
1	103	194	116	184	97
2	87	150	116	179	140
3	69	160	138	154	139
4	112	345	145	227	185
5	85	238	131	244	169
6	78	258	177	274	84
7	92	227	126	191	172

All the above were whiskies.

It will be observed that the "water-bath" colorimetric results are closer to the oxidation figures than those obtained by heating over a naked flame.

De-aldehyding Reagents.—The only reagent which to our knowledge removes the aldehydes completely and without apparently bringing about any secondary reactions is phenyl-hydrazine-sulphonate of lime (Hewitt's reagent). Meta-phenylene-diamine-hydrochloride, which is strongly recommended by some French chemists, does not always remove the furfural completely from commercial spirits, as the following figures show:

* De-aldehyding reagent used in above series—Hewitt's reagent. All the above were whiskies.

TABLE X.

No. of Experiment.	Total Furfural.	Furfural not removed by M.-phenylene-diamine-hydrochloride.
1	2·9	0·75
2	2·8	0·78
3	3·0	0·92
4	2·5	0·46

These figures were obtained by working on whiskies. The quantity of the de-aldehyding salt employed was 1·5 grams for 50 c.c. of spirit. It appears that the failure of the reagent to remove furfural completely is due to a secondary reaction, for solutions of furfural in pure 50 per cent. alcohol, containing far more furfural than the whiskies referred to, were completely defurfuralized by the reagent. The same result was obtained with solutions of furfural *plus* acetic aldehyde in pure 50 per cent. alcohol. Thus, a 50 per cent. ethylic alcohol solution to which 10 parts of furfural per 100,000 of absolute alcohol had been added was completely defurfuralized by means of 1·5 grams of the reagent; and the same result was obtained with a solution containing 10 parts of furfural and 24·5 parts of acetic aldehyde. It is obvious that the non-removal of all the furfural in the case of commercial spirits is another source of error in the higher alcohol figures obtained by means of the diamine reagent, inasmuch as furfural, as is well known, acts as an intensifier to the action of the sulphuric acid. It is curious that, nevertheless, the results obtained with the reagent in question are generally lower than those recorded when Hewitt's reagent (which completely removes furfural and aldehydes) is used. We believe that this is due to the fact that the meta-phenylene-diamine reagent enters, in the case of commercial spirits, into secondary reactions with some of the less known "impurities." The facts recorded above indicate that this is so, but we have also noticed that a peculiar fluorescence is produced by this reagent, either in the spirit before distillation, or in the distillate, or in both. We have also observed the fact that in those cases in which furfural is incompletely removed the fluorescence is only marked in the spirit prior to distillation, and that the distillate is then colourless. On the other hand, when the phenomenon of fluorescence is slight in the liquid prior to distillation, but strongly developed in the distillate, the latter shows little or no furfural.

Regarding other de-aldehyding reagents, we have found phosphate of aniline useless, as its use invariably results in the presence of aniline in the distillate. We have made some experiments with caustic alkalies, but the number of experiments made is not sufficient to warrant our expressing any definite opinion. We can only say that if, after considering all the facts set out in this paper, some of our colleagues still desire to continue the use of a colorimetric higher alcohol process, they will be well advised in using Hewitt's salt as a de-aldehyding reagent. Our own conclusion regarding this matter is that there is only one process which is to any degree reliable, and that is the oxidation process. By modifying the conditions of working, the colorimetric process may be made to give almost any figure one pleases; and, indeed, in practice, we have found that results returned by different observers (both using an iso-butylic control) have differed by more than 100 per cent.

HANDED IN BY DR. R. R. TATLOCK.

TABLE I.

ANALYSES OF WHISKEYS.

HIGHLANDS. MALT-POT-STILL.

	No. 1.	No. 2.	No. 3.	No. 4.	No. 5.	No. 6.	No. 7.	No. 8.
Absolute Alcohol, per cent. by weight	53·15	55·41	50·09	54·75	52·68	40·25	51·55	54·30
Absolute Alcohol, per cent. by volume	60·95	63·23	57·91	62·55	60·51	47·65	59·40	62·15
Proof Spirit, per cent. by volume	106·90	110·84	101·51	109·60	106·07	83·50	104·10	108·90
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	89·21	128·80	117·00	72·75	154·16	64·70	93·81	55·34
Higher Alcohols calculated as Amylic Alcohol	140·43	145·27	161·07	143·80	152·70	116·68	142·64	152·16
Volatile Acids calculated as Acetic Acid	55·12	28·48	21·76	46·04	41·65	49·75	50·76	23·22
Aldehydes calculated as Acetic Aldehyde	23·59	4·05	17·26	29·97	18·59	3·21	21·04	20·16
Furfural	4·10	3·97	3·45	1·72	3·30	1·58	5·01	1·61
Total Secondary Products	312·45	310·57	320·54	294·28	370·40	235·92	313·26	252·49
Higher Alcohols (Teed's Process)	245·00	190·00	220·00	290·00	210·00	230·00	300·00	250·00
Total Secondary Products (Teed's Process)	417·02	355·30	419·47	440·18	427·70	349·00	470·62	350·33
Ratio, Allen-Marquardt to Teed	1 : 1·75	1 : 1·31	1 : 1·36	1 : 2·02	1 : 1·38	1 : 1·98	1 : 2·11	1 : 1·64

	No. 9.	No. 10.	No. 11.	No. 12.	No. 13.	No. 14.	No. 15.	
Absolute Alcohol, per cent. by weight	52·23	48·73	47·85	53·75	51·45	49·64	49·16	
Absolute Alcohol, per cent. by volume	60·05	56·52	55·60	61·60	59·30	57·43	56·97	
Proof Spirit, per cent. by volume	105·27	99·08	97·50	108·00	103·90	100·68	99·86	
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	101·20	91·89	91·38	93·25	54·62	81·25	122·03	
Higher Alcohols calculated as Amylic Alcohol	161·35	148·15	142·06	138·50	139·67	183·87	138·94	
Volatile Acids calculated as Acetic Acid	35·91	25·48	56·11	89·06	72·85	37·63	42·10	
Aldehydes calculated as Acetic Aldehyde	12·50	8·84	15·73	22·72	31·80	15·24	26·31	
Furfural	4·13	3·53	5·19	6·28	5·91	4·36	3·96	
Total Secondary Products	315·09	277·89	310·47	349·81	304·85	382·35	333·34	
Higher Alcohols (Teed's Process)	220·00	150·00	350·00	250·00	245·00	265·00	210·00	
Total Secondary Products (Teed's Process)	383·74	279·74	518·41	461·31	410·18	403·48	404·00	
Ratio, Allen-Marquardt to Teed	1 : 1·30	1 : 1·01	1 : 2·46	1 : 1·81	1 : 1·78	1 : 1·44	1 : 1·52	

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HIGHLANDS. MALT POT STILL.

	No. 16.	No. 16. No. 17.	No. 17. No. 18.	No. 18. No. 19.	No. 19. No. 20.	No. 20. No. 21.	No. 21. No. 22.	No. 23.
Absolute Alcohol, per cent. by weight	58·00	53·20	48·65	53·95	52·90	52·90	53·13	54·75
Absolute Alcohol, per cent. by volume	65·70	61·00	56·50	61·75	60·75	60·73	60·96	62·55
Proof Spirit, per cent. by volume	115·20	106 90	99·00	108·30	106·50	106·46	106·86	109·60
	Parts by Weight in 100,000 parts by Volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	99·11	46·52	86·25	68·83	69·78	45·01	91·03	69·03
Higher Alcohols calculated as Amylic Alcohol	73·51	169·60	167·30	190·40	180·25	132·28	145·94	129·58
Volatile Acids calculated as Acetic Acid	21·92	29·50	54 22	54.28	67·21	27·66	27·52	23·02
Aldehydes calculated as Acetic Aldehyde	22·83	24·69	33·89	25·00	7·66	10·30	32·40	12·00
Furfural	2·28	6·55	5·10	6·27	3·18	3·70	7·34	6·39
Total Secondary Products	219·65	276·86	346·76	344·78	328·08	218·94	304·23	240·02
Higher Alcohols (Teed's Process)	200·00	310·00	305·00	400·00	260·00	380·00	270·00	140·00
Total Secondary Products (Teed's Process)	346·65	417·26	484·46	554·38	407·83	566·67	428·29	250·44
Ratio, Allen-Marquardt to Teed	1 : 2·76	1 : 1·83	1 : 1·82	1 : 2·10	1 : 1·44	1 : 2·87	1 : 1·85	1 : 1·09

	No. 24.	No. 25.	No. 26.	No. 27.	No. 28.	No. 29.	No. 30.	No. 31.
Absolute Alcohol, per cent. by weight	56·15	55·50	48·80	53·65	53·80	52·95	47·70	38·50
Absolute Alcohol, per cent. by volume	63·95	63·35	56·60	61·45	61·60	60·80	55·45	45·70
Proof Spirit, per cent. by volume	112·00	111·00	99·20	107·70	108·00	106·60	97·20	80·10
	Parts by Weight in 100,000 parts by Volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	85·31	63·52	80·05	69·34	62·85	54·85	79·35	92·68
Higher Alcohols calculated as Amylic Alcohol	126·60	133·96	142·30	140·25	110·60	127·42	153·59	132·00
Volatile Acids calculated as Acetic Acid	30·02	24·62	76·42	42·91	38·92	35·54	34·62	31·06
Aldehydes calculated as Acetic Aldehyde	23·43	13·45	12·34	16·26	16·23	30·89	35·06	16·41
Furfural	7·03	2·01	2·51	3·97	2·44	4·11	6·31	2·63
Total Secondary Products	272·39	237·56	313·62	272·73	231·04	252·81	308·93	274·78
Higher Alcohols (Teed's Process	330·00	270·00		280·00	180·00	300·00	300·00	200·00
Total Secondary Products (Teed's Process)	475·79	373·60	Not done	412·48	300·44	425·39	455·24	342·78
Ratio, Allen-Marquardt to Teed	1 : 2·62	1 : 2·01		1 : 2·00	1 . 1·63	1 : 2·36	1 : 1·96	1 : 1·51

Lowlands. Malt-Pot-Still.

	No. 1.	No. 2.	No. 3.	No. 4.	No. 5.	No. 6.	No. 7.	No. 8.	No. 9.
Absolute Alcohol, per cent. by weight	55·95	52·68	48·73	54·10	55·40	62·15	52·45	52·70	53·95
Absolute Alcohol, per cent. by volume	63·75	60·51	56·52	61·95	63·25	69·75	60·25	60·55	61·75
Proof Spirit, per cent. by volume	111·7	106·07	99·08	108·50	110·80	122·20	105·70	106·10	108·30
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.								
Ethers calculated as Acetic Ether	34·52	85·80	77·87	63·87	57·05	47·78	82·52	66·53	79·80
Higher Alcohols calculated as Amylic Alcohol	240·66	103·49	118·50	140·25	29·46	141·35	129·07	142·60	118·28
Volatile Acids calculated as Acetic Acid	4·70	39·86	21·23	34·73	4·78	8·60	39·71	13·85	6·12
Aldehydes calculated as Acetic Aldehyde	31·17	16·52	17·69	28·22	33·59	17·92	10·10	12·35	16·20
Furfural	3·76	4·13	2·65	4·06	4·74	2·87	5·85	5·82	5·66
Total Secondary Products	314·81	249·80	237·94	271·13	229·56	218·52	267·25	241·15	226·06
Higher Alcohols (Teed's Process)	not done	210·00	230·00	310·00	300·00	350·00	190·00	282·00	283·00
Total Secondary Products (Teed's Process)	not done	356·31	349·44	440·88	400·16	427·17	328·18	480·55	390·78
Ratio, Allen-Marquardt to Teed	not done	1 : 2·03	1 : 1·95	1 : 2·21	1 : 2·32	1 : 2·48	1 : 1·47	1 : 1·97	1 : 1·24

Islays. Malt-Pot-Still.

	No. 1.	No. 2.	No. 3.	No. 4.
Absolute Alcohol, per cent. by weight	55·41	51·50	54·00	55·40
Absolute Alcohol, per cent. by volume	63·23	59·35	61·80	63·05
Proof Spirit, per cent. by volume	110·84	104·00	108·30	110·40
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.			
Ethers calculated as Acetic Ether	78·05	60·29	59·38	48·31
Higher Alcohols calculated as Amylic Alcohol	161·70	141·30	145·00	130·20
Volatile Acids calculated as Acetic Acid	17·11	32·41	31·07	22·86
Aldehydes calculated as Acetic Aldehyde	31·74	31·69	30·36	19·82
Furfural	6·29	5·82	3·25	4·75
Total Secondary Products	294·99	271·51	269·06	225·94
Higher Alcohols (Teed's Process)	210·00	280·00	200·00	285·00
Total Secondary Products (Teed's Process)	343·29	410·21	324·06	380·74
Ratio, Allen-Marquardt to Teed	1 : 1·30	1 : 2·00	1 : 1·38	1 : 2·19

Campbeltowns. Malt-Pot-Still.

	No. 1.	No. 2.
Absolute Alcohol, per cent. by weight	51·79	53·80
Absolute Alcohol, per cent. by volume	59·61	61·60
Proof Spirit, per cent. by volume	104·50	108·00
	Parts of weight in 100,000 parts by volume of Absolute Alcohol.	
Ethers calculated as Acetic Ether	85·62	61·42
Higher Alcohols calculated as Amylic Alcohol	206·70	139·58
Volatile Acids calculated as Acetic Acid	56·35	31·16
Aldehydes calculated as Acetic Aldehyde	33·54	32·45
Furfural	3·77	3·23
Total Secondary Products	385·98	267·84
Higher Alcohols (Teed's Process)	260·00	230·00
Total Secondary Products (Teed's Process)	439·28	358·26
Ratio, Allen-Marquardt to Teed	1 : 1·26	1 : 1·65

Irish. Malt-Pot-Still.			American. "Rye" and "Bourbon."				
	No. 1.	No. 2.		No. 1.	No. 2.	No. 3.	No. 4.
Absolute Alcohol, per cent. by weight	38·65	63·50	Absolute Alcohol, per cent. by weight	38·25	43·90	36·55	38·45
Absolute Alcohol, per cent. by volume	45·85	71·00	Absolute Alcohol, per cent. by volume	45·45	51·50	43·60	45·65
Proof Spirit, per cent. by volume	80·40	124·40	Proof Spirit, per cent. by volume	79·60	90·30	76·40	80·00
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.			Parts by weight in 100,000 parts by volume of Absolute Alcohol.			
Ethers calculated as Acetic Ether	44·22	38·42	Ethers calculated as Acetic Ether	114·30	111·06	119·08	119·52
Higher Alcohols calculated as Amylic Alcohol	169·10	154·93	Higher Alcohols calculated as Amylic Alcohol	102·55	176·50	151·37	177·34
Volatile Acids calculated as Acetic Acid	49·23	4·55	Volatile Acids calculated as Acetic Acid	80·47	65·24	132·11	119·90
Aldehydes calculated as Acetic Aldehyde	4·34	21·12	Aldehydes calculated as Acetic Aldehyde	27·58	17·01	28·67	32·85
Furfural	2·73	3·02	Furfural	3·86	1·95	2·90	3·31
Total Secondary Products	269·62	222·04	Total Secondary Products	328·76	371·76	434·13	452·92
Higher Alcohol (Teed's Process)	not done	320·00	Higher Alcohols (Teed's Process)	160·00	210·00	230·00	320·00
Total Secondary Products (Teed's Process)	not done	387·11	Total Secondary Products (Teed's Process)	386·21	405·26	512·76	595·58
Ratio, Allen-Marquardt to Teed	not done	1 : 2·49	Ratio, Allen-Marquardt to Teed	1 : 1·56	1 : 1·89	1 : 1·52	1 : 1·80

	No. 1.	No. 2.	No. 3.	No. 4.	No. 5.	No. 6.	No. 7.	No. 8.
Absolute Alcohol, per cent. by weight	53·65	53.50	55·95	37·80	52·25	81·10	54·10	55·30
Absolute Alcohol, per cent. by volume	61·50	61·35	63·75	44·95	60·05	86·40	61·95	63·15
Proof Spirit, per cent. by volume	107·80	107·50	111·70	78·70	105·30	151·30	108·50	110·60
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	28·61	22·04	24·85	50·90	27·86	28·01	31·05	50·56
Higher Alcohols calculated as Amylic Alcohol	40·24	41·78	32·47	47·08	47·05	68·47	183·50	40·15
Volatile Acids calculated as Acetic Acid	32·83	11·66	8·47	26·69	11·94	2·86	13·56	22 28
Aldehydes calculated as Acetic Aldehyde	12·95	10·50	1·75	5·60	6·70	6·90	3·25	1·59
Furfural	·40	·31	·50	·11	·15	·10	·13	·17
Total Secondary Products	115·03	86·29	68·04	130·38	93·70	106·34	231·49	114·75
Higher Alcohols (Teed's Process)	50·00	114·00	111·00	98·00	200·00	not done	not done	268·00
Total Secondary Products (Teed's Process)	124·79	158·51	146·57	181·30	246·65			342·75
Ratio, Allen-Marquardt to Teed	1 : 1·25	1 : 2·73	1 : 3·42	1 : 2·08	1 : 4·25		*Note.*	1 : 6·67 *Note.*

Note No. 7.—This is an all-Malt Patent Still Whiskey, and, although run in the Patent Still, has the composition of Pot Still Whiskey, with the exception that the Furfural is much lower in amount than in the case of any Malt Whiskey. The reason of its showing a large proportion of Higher Alcohols like Pot Still Whiskey is that it was run at a low strength as Pot Still Whiskeys are, whereas Patent Still Whiskeys are run at a comparatively high strength.

Note No. 8.—This is an all-Malt Patent Still Whiskey, and has the composition of ordinary Patent Still Whiskeys made from mixed grist of maize, rye, and barley malt. The reason of this similarity of composition is simply that it was run in a Patent Still, but at high strength.

BLENDS.

	No. 1.	No. 2.	No. 3.	No. 4.	No. 5.	No. 6.	No. 7.	No. 8.
Absolute Alcohol, per cent. by weight	49·45	49·40	40·35	41·35	39·15	38·90	38·55	39·00
Absolute Alcohol, per cent. by volume	57·25	57·20	47 70	48·80	46·40	46·10	45·75	46·25
Proof Spirit, per cent. by volume	100·30	100 20	86·60	85·50	81·40	80·90	80·20	81·00
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	64·02	56·10	59·14	34·26	60·69	45 81	41·40	52·33
Higher Alcohols calculated as Amylic Alcohol	71·71	86·05	85·36	75·63	87 24	82·90	50 01	77·15
Volatile Acids calculated as Acetic Acid	44·01	33·56	44·28	22 15	38·80	35·74	13·12	41·50
Aldehydes calculated as Acetic Aldehyde	8·72	7·01	3·46	5·41	4·31	4·55	1·26	7·62
Furfural	1·93	2·10	1·57	·87	1·03	1·73	·43	2·58
Total Secondary Products	190·39	184·82	193·81	138·32	192·07	170·73	106·22	181·18
Higher Alcohols (Teed's Process)	147·80	200·00	not done	not done	not done	not done	not done	not done
Total Secondary Products (Teed's Process)	266·48	298·77						
Ratio, Allen-Marquardt to Teed	1 : 2·06	1 : 2·32						

	No. 9.	No. 10.	No. 11.	No. 12.	No. 13.	No. 14.	No. 15.	No. 16.
Absolute Alcohol, per cent. by weight	41·35	39·85	40·40	39·40	36·75	38·50	41·50	39·65
Absolute Alcohol, per cent. by volume	48·80	47·20	47·80	46·75	43·85	45·70	48·95	46·95
Proof Spirit, per cent. by volume	85·50	82·70	83·70	81·90	76·80	80·10	85·90	82·30
	Parts by weight in 100,000 parts by volume of Absolute Alcohol.							
Ethers calculated as Acetic Ether	79·34	73·56	92·05	80·14	54·58	52·27	64·72	73 02
Higher Alcohols calculated as Amylic Alcohol	48 71	84·38	106 52	111·25	78·23	82·80	85·70	78·64
Volatile Acids calculated as Acetic Aldehyde	59·47	27·94	50·22	17·43	49·32	100·13	46·58	25·53
Aldehydes calculated as Acetic Aldehyde	10·25	2·27	15·68	16·07	11·41	16·41	7·66	26·60
Furfural	2 88	1·60	3·17	2·21	·96	·92	1·02	1·06
Total Secondary Products	200·65	149·75	267·64	227·10	194·50	252·53	205·68	204·85
Higher Alcohols (Teed's Process)	not done	not done	250·00	290·00	150·00	140·00	241·80	105·00
Total Secondary Products (Teed's Process)			411·12	405·85	266·27	309·73	361·78	231·20
Ratio, Allen-Marquardt to Teed			1 : 2·35	1 : 2·60	1 : 1·92	1 : 1·69	1 : 2·82	1 : 1·33

(Signed) ROBERT RATTRAY TATLOCK.

TABLE II.

Maximum, Minimum, and Average Analyses of 75 Samples of Whiskey, 31 Malt-Pot-Still (Highland), 9 Malt-Pot-Still (Lowland), 4 Malt-Pot-Still (Islay), 2 Malt-Pot-Still (Campbeltown), 2 Malt-Pot-Still (Irish), 4 American, 7 Grain Patent Still, and 16 Blends.

	Highlands, 31 samples.	Lowlands, 9 samples.	Islays, 4 samples.	Campbeltowns, 2 samples.	Irish, 2 samples.	American, 4 samples.	Grains, 7 samples.	Blends, 16 samples.
Ethers—								
Maximum	154·16	85·80	78·05	85·62	44·22	119·52	50·90	92·05
Minimum	45·01	34·52	48·31	61·42	38·42	111·06	22·04	33·56
True Average	83·06	66·19	61·51	73·52	41·32	115·99	33·26	58·96
Higher Alcohols—								
Maximum	190·40	240·66	161·70	206·70	169·10	177·34	68·47	111·25
Minimum	73·51	103·49	130·20	139·58	154·93	102·55	32·47	48·71
True Average	144·61	140·40	144·55	173·14	162·01	156·99	45·32	80·76
Volatile Acids—								
Maximum	89·06	39·86	32·41	56·35	49·23	132·11	32·83	100·13
Minimum	21·76	4·70	17·11	31·16	4·55	65·24	2·86	13·12
True Average	41·78	17·35	25·86	43·75	26·89	99·43	16·67	40·61
Aldehydes—								
Maximum	35·06	33·59	31·74	33·54	21·12	32·85	12·95	26·60
Minimum	3·21	4·70	19·82	32·45	4·34	17·01	1·59	1·26
True Average	19·48	20·42	28·40	32·99	12·73	26·53	7·66	9·29
Furfural—								
Maximum	7·34	5·85	6·29	3·77	3·02	3·86	·50	3·17
Minimum	1·58	2·65	3·25	3·23	2·73	1·95	·10	·43
True Average	4·19	4·39	5·02	3·50	2·87	3·00	·25	1·63
Total Secondary Products—								
Maximum	382·35	314·81	294·99	385·98	269·62	452·92	130·38	267·64
Minimum	218·94	218·52	225·94	267·84	222·04	328·76	68·04	106·22
True Average	294·41	282·03	265·37	326·91	245·83	396·89	102·08	191·25
Higher Alcohols. Dr. Teed's Process								
Maximum	(1) 400·00	(2) 350·00	285·00	260·00	(3) 320·00	320·00	(4) 268·00	(5) 290·00
Minimum	140·00	190·00	200·00	230·00	320·00	160·00	50·00	105·00
True Average	225·00	269·00	244·00	245·00	320·00	230·00	140·00	190 57
Total Secondary Products. Dr. Teed's Process—								
Maximum	566·67	480·55	410·21	439·28	387·11	595·58	342·75	411·12
Minimum	250·44	328·18	324·06	358·26	387·11	386·21	124·79	231·20
True Average	411·08	396·68	364·57	398·77	387·11	474·95	200·09	318·90

(1) 30 samples. (2) 8 samples. (3) 1 sample only. (4) 6 samples. (5) 8 samples.

(Signed) ROBERT RATTRAY TATLOCK.

TABLE III.

ANALYSES of 6 Typical Whiskeys employed in the Physiological Tests by ROBERT RATTRAY TATLOCK, and Total Quantities of Secondary Products consumed by him.

	Parts by weight per 100,000 volumes of Absolute Alcohol.							
	Lowland Malt, Pot Still. Samples 7, 8, 9.				Patent Still. Samples 1, 2, 3.			
	Sherry Wood. Bonded 20/12/00.	Plain Wood. Bonded 24/11/00.	Plain Wood. Bonded 6/4/05.	From half a gallon of Pot Still (In Grains).	Sherry Wood. Bonded 28/8/00.	Plain Wood. Bonded 18/10/00.	Plain Wood. Bonded 7/7/05.	From half a gallon of Patent Still (In Grains).
Ethers calculated as Ethyl Acetate	82·52	66·53	79·80	15·97	28·61	22·04	24·85	5·47
Higher Alcohols calculated as Amylic Alcohol	129·07	142·60	118·28	27·08	40·24	41·78	32·47	8·29
Volatile Acids calculated as Acetic Acid	39·71	13·85	6·12	4·14	32·83	11·66	8·47	3·84
Aldehydes calculated as Acetic Aldehyde	10·10	12·35	16·20	2·68	12·95	10·50	1·75	1·81
Furfural	5·85	5·82	5·66	1·21	·40	·31	·50	·09
Total Secondary Products	267·25	241·15	216·06	51·08	115·03	86·29	68·04	19·50
Absolute Alcohol, per cent. by weight	52·45	52·70	53·95	—	53·65	53·50	55·95	—
Absolute Alcohol, per cent. by volume	60·25	60·55	61·75	—	61·50	61·35	63·75	—
Proof Spirit, per cent. by volume	105·70	106·10	108·30	—	107·80	107·50	111·70	—

TABLE IV.

Analyses of Spent Wash and Spent Lees from Kirkliston Distillery.

The object of making these analyses was to ascertain the respective proportions of Bye-products, Higher Alcohols, Ethers, Volatile Acids, Aldehydes, and Furfural, carried away in the Spirit, the Spent Wash and the Spent Lees respectively. For this purpose the whole production of a period is taken, in which 40,000 gallons of Fermented Wort, or Wash, are distilled, yielding of Whiskey at 11 O.P. 4,000 gallons (equal to 2,536 gallons of Absolute Alcohol), 8,000 gallons of Spent Lees, and 28,000 gallons of Spent Wash. The following table shows the compositions of the three products in grains by weight per 100,000 fluid grains of the products respectively, as well as the total amount of Bye-products removed by each of the three:—

	Parts in 100,000 Parts.			Total Weight, in Grains, removed in the Period.		
	Absolute Alcohol.	Spent Wash.	Spent Lees.	Absolute Alcohol.	Spent Wash.	Spent Lees.
Higher Alcohols	171	4·19	8·80	303,559	82,124	49,280
Ethers	67	8·22	21·20	118,938	161,112	119,224
Volatile Acids	26	48·60	42·00	46,155	952,560	285,200
Aldehydes	22	none	none	39,054	none	none
Furfural	5	·86	·05	8,876	16,856	280

The following shows the percentage of the ingredients which pass away in the three different products:—

	Absolute Alcohol.	Spent Wash.	Spent Lees.	Total Secondary Products in Spent Wash and Spent Lees exclusive of Volatile Acids.	Total Secondary Products in Spent Wash and Spent Lees inclusive of Volatile Acids.
Higher Alcohols	69·8	18·9	11·3	47·6	76·3
Ethers	29·8	40·3	29·9		
Volatile Acids	3·7	77·2	19·1		
Aldehydes	100·0	none	none		
Furfural	34·2	64·7	1·1		

(Signed) Robert Rattray Tatlock.

APPENDIX H.

Handed in by Mr. H. S. KEITH.

EPITOME OF STATUTES, ETC., RELATING TO THE MANUFACTURE OF SPIRITS IN SCOTLAND.

Iter Camerarii. Chamerlan Ayr. Sec. 26. The date of this manuscript is about the 14th Century. It is there reported that "Malt makers mak both evil and good malt together, where they ought to make them sundry and sell them at sundry prices; that they steep not their beer enough, for great haste in the making of it."

In 1503 (James IV.) it is enacted that the "malt makers take nae mair for the making of one chalder of malt, but one boll of beer."

In 1555, chap. 14, the Burghs of Ayr, Irvine, Glasgow, Dumbarton, and others allowed to furnish aqua vitæ, ale, and bread to the inhabitants of the Isles, in barter in spite of the Acts prohibiting the export of victuals.

In 1579, because victual was scant, James VI. prohibited the making of aqua vitæ for nine months, subject to a privilege to lords, barons and others of such degree, to make, brew, and distil their own malt and stuff within their own houses.

1641. c. 118. Importation of aqua vitæ or strong waters prohibited "which might more conveniently be made within the Kingdom to the benefit of the natives."

1655. Excise for all aqua vitæ or strong waters made or distilled within Scotland, whether of domestic or foreign spirits or materials per English gallon, or quart Scots—2d.

1661. Car. II., cap. 128. 384,000 pounds to be raised out of the beer, ale, aqua vitæ, and strong waters at the rate of two merks Scots upon ilk boll of malt brewed and sold within this Kingdom, three shillings upon ilk pint of aqua vitæ or strong waters not made of malt brewed and sold within the Kingdom, six shillings upon ilk pint of foreign aqua vitæ or strong waters. . . .

1669. c. 36: "Act for regulating the prices of ale and drinking beer." . . . Privy Council, after consideration had of the ordinary rates of rough beer and barlie for the tyme, to regulate and set down the prices of all ale and drinking beer.

1695. W. cap. 52. The estates of Parliament for maintenance of a standing army and defence of the coast granted an additional fund to the supplies, over and above existing excises "of two pennies (Scots) upon the pint of ale and beer brewed for sale and sold, as also two shillings (Scots) upon each pint of aqua vitæ and strong waters brewed (or made of malt) to be vended or sold within the Kingdom, and likewise an additional excise of two shillings (Scots) upon each pint of aqua vitæ and strong waters brewed not made of malt, excepting what is made of wine." . . . It further repealed the excise on malt, and granted in lieu of it three shillings (Scots) more upon "ilk pint of aqua vitæ or strong waters not made of malt, brewed and sold within the Kingdom, and six shillings upon ilk pint of aqua vitæ, brandy, or some strong waters imported"—the excise in lieu of the malt tax being annexed to the Crown, the other portion of the excise being unannexed. The excise upon ale used to be collected from the brewers, and the excise on aqua vitæ and strong waters used to be collected from the retailers. (The "pint" here referred to is the Scotch pint, equal to half-gallon English measure.)

In 1700 the states of Parliament (Scotland) granted authority for a manufactory in Glasgow for sugar, and the distilling of brandy and strong waters from malt, sugar and other liquors (except wine) upon the preamble that these were as good as could be imported from France, and profitable, "both for the consumpt of malt, which is a native product, and for convenience within the country and for foreign trade," in view of the possible prohibition of French brandy and that the manufacture of sugar and distilling of strong waters deserved encouragement."

1736. 9 Geo. II., s. 22. . . . nothing in this Act contained shall extend to charge with any of the duties directed to be paid . . . any spirits made or distilled from malt and retained and consumed within that part of Great Britain called Scotland which spirits are commonly called or known by the name of aqua vitæ.

1751. 24 Geo. II., s. 26. Foregoing section repeated.

1793. 33 Geo. III. cap. 69. "Whereas it is expedient to repeal the duties on coals, culm or cinders brought coastwise into Scotland and to substitute other duties in lieu thereof. II. . . . from and after the 10th October, 1793, every person who shall retail any spirits made or distilled from malt, corn, grain, barley, beer, big or other British materials, and which spirits are commonly called and known by the name of 'aqua vitæ' in that part of Great Britain called Scotland, shall take out an excise license."

V. All and every person in that part of Great Britain called Scotland "who shall sell . . . any spirits made or distilled from malt, corn, grain, barley, beer, big, or other British materials commonly called and known by the name of 'aqua vitæ,' unmixed or mixed with themselves or any other ingredients in any less quantity than half a gallon shall be deemed and taken to be a retailer."

1785. 25 Geo. III. cap. 22. "Whereas . . . it was . . . enacted . . . to authorise . . . within the Highland Parishes of districts, to erect, work, and keep stills, the cubical contents of which, including the head, should not exceed twenty gallons, English measure, or at the most, thirty gallons, nor in any case be of less than the first-mentioned size. And whereas it now appears that the purposes which the said Act was intended to answer, with respect to the Revenue, and the improvements of agriculture in the parishes and districts aforesaid, have been in a great measure defeated. . . .

Sec. 2. Be it further enacted . . . it shall and may be lawful to and for the Commissioners of His Majesty's Excise in Scotland, or the major part of them . . . to authorise persons, qualified as hereinafter mentioned, within the several Counties of Orkney, Caithness, Sutherland, Ross, Cromarty, Inverness, Argyle, Bute, Stirling, Clackmannan, Perth, Dumbarton, Aberdeen, Forfar, Kincardine, Banff, Nairn, and Elgin (excepting those parts of the Counties of Dumbarton, Stirling, Clackmannan and Perth, hereinafter described), to erect, keep, and work stills, the cubical contents of which respectively shall not be less than thirty, nor more than forty gallons of English measure, including their respective heads, and to distil and draw off spirits from the barley, bear or big of the growth of the said counties, during the term of one year, and for no longer or shorter space, from the date of the Commission or Licence, and to use, sell or dispose of the spirits so distilled, subject to the restrictions and regulations, and on payment of a composition or licence duty at the rate of twenty shillings sterling for each English gallon of the contents of such still. . . .

Sec. 8. And whereas the said privilege and exemption are hereby granted for the purpose of promoting agriculture and improvement in the said highland counties and districts, and for accommodating the inhabitants thereof with spirits drawn from their own grain at moderate rates, and it has been computed that a still of forty gallons . . . . will manufacture into good spirits 250 bolls, Linlithgow measure, of the barley, bear, or big of these counties, and no more, which will produce at an average 1,660 gallons of pure spirits, and that the produce of smaller stills will be in a similar proportion. Be it therefore enacted that when a licence shall be taken out, and the composition duty paid for a still of forty gallons, such duty shall be held to be a composition for the duty on malt to the extent of 250 bolls, Linlithgow measure, and no more, and for the duty on the spirits manufactured in such still to the extent of 1,660 gallons English and no more . . . .

Sec. 10. . . . No spirits the produce of such licensed stills shall be allowed to pass, either with or without a permit into the southern parts of the Kingdom, either by land, . . . or by water carriage . . . and all spirits distilled to the west and north of a prescribed line that shall be found passing to or in other parts of the Kingdom, either with or without a permit, shall be liable to seizure.

1786.—26 Geo. III., cap. lxiv. . . . That the several rates and duties granted and imposed by any

Act or Acts of Parliament now in force, or which stand and remain discontinued or suspended, for any time or term upon any wort, wash, or other liquor or any mixture with the same, for extracting of low wines or spirits in Scotland, or upon the low wines or spirits there made or manufactured, or upon any licence required to be taken by any distiller or maker of spirits from corn or malt in Scotland . . . shall be discontinued for the space of two years. . . .

Sec. 2. . . . There shall be substituted, charged and paid . . . . by the distillers or makers of spirits in that part of Great Britain called Scotland, for and during the aforesaid term of two years, the rates and duties following, that is to say, for and upon every gallon, English wine measure, of the capacity or content of every still . . . . . for the making of low wines or spirits from corn, grain, malt, tilts, cyder, or perry, or other wash or liquor made or brewed from any sort or kind of British materials, or any mixture with the same, the yearly sum of one pound ten shillings sterling.

. . . . for making low wines or spirits from molasses or sugar, or any mixture therewith, the yearly sum of two pounds ten shillings sterling.

. . . . from foreign refused wine, or foreign cyder or wash prepared from foreign materials, except molasses and sugar, or any mixture therewith, the yearly sum of three pounds sterling.

Note.—This Act does not differentiate the Highlands, but the Act 28 Geo. III. c. 46, sec. 28 declares that the Act 25 Geo. III. c. 22 is not repealed or altered, so far as it affects the Highlands.

1788. 28 *Geo. III., cap. xlvi.*

. . . . . .

For and upon every gallon . . . . of the cubical content of each and every still, including the head . . . . in . . . . Scotland, for the making of low wines or spirits from corn, grain, malt, tilts, cyder or perry, or other wash, or liquor made or brewed from any sort of British materials, or any mixture therewith, the sum of three pounds.

. . . . For making low wines or spirits from molasses or sugar, or any mixture therewith, the sum of five pounds.

. . . . from foreign refused wine, or foreign cyder, or wash prepared from foreign materials (except molasses and sugar) or any mixture therewith, the sum of six pounds.

Note.—The distinction between Highland and Lowland whiskey was further accentuated by the Act of 1793, 33 Geo. III. cap. 61, which raised the rates for four categories of stills in Scotland (excluding the Highlands).

1793.—Low wines or spirits from corn, grain, malt, tilts, cyder, or perry, or other wash or liquor, nine pounds per gallon cubic contents. From molasses or sugar, fifteen pounds.

From foreign materials, except molasses and sugar, eighteen pounds.

This Act, by section XXI., authorised exceptional treatment for the Highlands . . . . "to distil and draw off spirits from the barley, beer, or big, of the growth of the said counties, £1 10s. for each gallon cubic contents, in place of the whole rates and duties imposed on the distilling of wash, low wines or corn spirits."

Sec. 26 restricts the sale of such Highland whiskey to the Highlands exclusively.

38 Geo. III., c. 92, Sec. 7 obliges every distiller to give every week a declaration of the respective quantities of malt and of unmalted grain used by him.

Sec. 8 enacts that all barley, beer, big, or other corn or grain which shall be used unmalted or raw for distillation in Scotland should pay the like duty that malt now pays.

In 1800 (39 and 40 George III. cap 73), except in the Highlands, the duties of Excise per gallon cubic contents of still for distilling low wines or spirits for consumption in Scotland from corn, grain, malt, tilts, cyder or perry or other wash or liquor, or of British materials, or any mixture, was £108; of molasses or sugar, £670; of foreign materials, £760. Scottish spirit from home materials was heavily subsidised, but no obligation was imposed on the distiller to use malt only in the Lowlands; while in the Highlands, by section 15 the restriction was continued to distil from native-grown barley, beer, or big only, the prescribed area being reduced by the elimination of an intermediate area. The Lowland distiller was called on by Sec. 2 12 hours before beginning to mash, to give in writing a detail of the malt weight of malt, and unmalted grain, or of molasses, sugar, or foreign material. The product was undoubtedly Scotch whiskey.

1803.—Barley malt, or beer or big malt, are treated as different by 43 Geo. III. c. cxlv. A tax of 2s. was to be paid on all malt except that made from beer or big, and by sec. 7 malting from barley and other corn and grain, and malting from beer or big only must be carried on "completely separate and apart and under a different roof." A maltster of barley could not be a maltster of beer or big, nor have any interest in the latter business under a penalty of £200.

1806.—By the Act of Geo. III. c. 102 sec. xix., the Highland distiller is called on to give in every six weeks an account of the quantity of malted and unmalted corn or grain used in the making of wort or distilling wash, indicating that raw grain was also being used at this date in the Highlands. The same Act prescribes that for "extracting spirits in the Highlands of Scotland, oats or barley, beer or big, of the growth of the Highlands shall be exclusively used."

1810.—By the Act of Geo. III. cap. 79, the distilling from sugar is permitted to the distillers in the Lowlands of Scotland in every and any year that the distilling of spirits from corn or grain is prohibited.

1814.—The Excise Act 54 Geo. III. cap. 172, narrates that "it is expedient that in England and Scotland the distillation and manufacture of spirits should (as nearly as may be) be under and subject to the same rules, regulations, and provisions." It provides for duties for distilling from malt, corn, grain, or tilts, cyder, perry, molasses or sugar. "Beer" and "big" drop out, and the Act seems to apply equally to the Highlands and Lowlands of Scotland, but a further Act (56 Geo. III. cap. 106 sec. vi.) expressly abolishes the distinction of districts in Scotland, relative to stills and distilleries.

1816.—The phrase "malt spirits" appears in the Act 56 Geo. III. in the rubric of sec. xi., and covers spirits prepared from "malt, corn, grain, or tilts." This Act, sec. xxvi., also provides for methods of manufacture.

1823.—The Act 4 Geo. IV. c. 94, which changed the system of distillers' duties, and placed the duty on warehoused spirits taken out for home consumption at a rate per proof gallon, speaks of spirits distilled in any part of Scotland or Ireland (sec. 3) "from any wort or wash brewed or made from malt or from corn or grain, malted or unmalted, or any mixture thereof."

APPENDIX I.

HANDED IN BY PROFESSOR STOCKMAN.

I. ACTION OF ALCOHOL ON PULSE-RATE AND BLOOD-PRESSURE.

ABSOLUTE ALCOHOL diluted to sp. gr. 0·906 equals 63 per cent. Alcohol by vol.

Dose: 2 oz. with 2 oz. water—equals 1·2 oz. Alcohol.

	Time.	Pulse-Rate.		Time.	Blood-Pressure.
	4·54	67	.....	4·52	114
	4·59	63	.....	4·58	114
	5·5	65	.....	5·6	114
Alcohol taken - - - - -	5·7	—	.....	—	—
	5·11	61	.....	5·12	114
Sleepy - - - - - -	5·17	65	.....	5·19	114
Heavy - - - - - -	5·25	65	.....	5·27	112
	5·35	65	.....	5·37	114
	5·43	62	.....	5·45	114
	5·53	58	.....	5·54	116
	5·59	60	.....	6·1	114
	6·6	61	.....	6·8	116

II. ACTION OF ALCOHOL ON PULSE-RATE AND BLOOD-PRESSURE.

ABSOLUTE ALCOHOL diluted to sp. gr. 0·906 equals 63 per cent. Alcohol by vol.

Dose: 2 oz. with 2 oz. water—equals 1·2 oz. Alcohol.

	Time.	Pulse-Rate.		Time.	Blood-Pressure.
	4·46	62	.....	4·49	106
	4·53	64	.....	4·55	106
	5·0	62	.....	5·3	106
Alcohol taken - - - - -	5·4	—	.....	—	—
Flushing in ½ minute - - - -	5·8	63	.....	5·10	106
Very drowsy - - - - -	5·14	67	.....	5·17	94
	5·20	65	.....	5·23	100
	5·26	64	.....	5·28	106
Recovering from drowsiness - -	5·32	61	.....	5·34	106
	5·37	60	.....	5·39	106
	5·43	62	.....	5·45	106
	5·53	58	.....	5·56	106
	6·1	59	.....	—	—

III. ACTION OF WHISKEY ON PULSE-RATE AND BLOOD-PRESSURE.

HIGHLAND MALT POT-STILL WHISKEY, 9 years old. Sp. gr. 0·906 equals 63 per cent. Alcohol by vol.

Dose: 2 oz. with 2 oz. water—equals 1·2 oz. Alcohol.

	Time.	Pulse-Rate.		Time.	Blood-Pressure.
	4·27	61	.....	4·25	108
	4·31	60	.....	4·29	108
	4·40	60	.....	4·35	106
Whiskey taken - - - - -	4·41	—	.....	4·41	—
Flushing of face - - - -	4·42	—	.....	4·42	—
	4·44	65	.....	4·46	112
Sleepy - - - - - -	4·50	60	.....	4·48	110
	4·59	60	.....	4·55	110
Very sleepy - - - - -	5·6	61	.....	5·3	108
	5·16	60	.....	5·10	109
Effect wearing off - - - -	5·27	61	.....	5·20	108

IV. ACTION OF WHISKEY ON PULSE-RATE AND BLOOD-PRESSURE.

PATENT-STILL WHISKEY, 3 years old. Sp. gr. 0·906 equals 63 per cent. Alcohol by vol.

Dose: 2 oz. with 2 oz. water—equals 1·2 oz. Alcohol.

	Time.	Pulse-Rate.		Time.	Blood-Pressure.
	4·53	59	.....	4·56	110
	4·59	62	.....	5·1	110
	5·2	61	.....	5·3	106
	5·9	62	.....	5·8	106
Whiskey taken - - - - -	5·10	—	.....	—	—
Flushing at once - - - -	5·14	63	.....	5·15	110
	5·19	61	.....	5·20	108
Yawning - - - - - -	5·25	64	.....	5·27	108
	5·30	62	.....	5·32	106
Sleepy - - - - - -	5·35	61	.....	5·37	108
	5·41	60	.....	5·43	106
	5·46	58	.....	5·48	108
	5·55	55	.....	5·57	109
	6·0	60	.....	6·4	110
	6·6	58	.....	6·9	110

V. Action of Brandy on Pulse-Rate and Blood-Pressure.

Cognac Brandy, 12 years old, guaranteed to contain "the Ethers." Sp. gr. 0·942 equals 46 per cent. Alcohol by vol.

Dose: $2\frac{3}{4}$ oz. with water to 4 oz.—equals 1·2 oz. Alcohol.

	Time.	Pulse-Rate.		Time.	Blood-Pressure.
	4·36	61	.....	4·38	106
	4·43	64	.....	4·44	106
	4·50	62	.....	4·51	106
	4·52	61	.....	4·52	106
Brandy taken - - - - -	4·53	—	.....	—	—
	4·57	64	.....	4·58	106
Drowsy - - - - - -	5·3	62	.....	5·5	106
Very drowsy - - - - -	5·11	65	.....	5·13	104
	5·20	63	.....	5·22	104
	5·34	60	.....	5·35	108
	5·41	60	.....	5·43	106
	5·49	62	.....	5·52	108

VI. Action of Whiskey Distillate on Pulse-Rate and Blood-Pressure.

Distillate at 78°—80° C. of 4 oz. Pot-Still Highland Malt Whiskey, 9 years old. This would contain all the lighter and more volatile substances.

Dose: A quantity of it equal to 1·2 oz. absolute alcohol was taken diluted as before with water.

	Time.	Pulse-Rate.		Time.	Blood-Pressure
	4·50	63	.....	4·52	108
	4·56	63	.....	4·57	108
	5·4	62	.....	5·3	108
Alcohol taken - - - - - -	5·5	—	.....	5·5	—
Flushing slightly - - - -	5·10	63	.....	5·12	108
Sleepy - - - - - - -	5·16	59	.....	5·18	108
	5·23	60	.....	5·25	104
	5·32	61	.....	5·35	106
Less sleepy - - - - - -	5·42	62	.....	5·44	106
	5·51	62	.....	5·53	106
All right - - - - - - -	6·1	62	.....	6·3	106
	6·5	60	.....	—	—

VII. Action on Pulse-Rate and Blood-Pressure of Residue left on distilling at 78°—80° C. 4 oz. Pot-Still Highland Malt Whiskey, 9 years old, until 2 oz. had passed over.

Dose: The remaining 2 oz. was taken.

	Time.	Pulse-Rate.		Time.	Blood-Pressure
	4·40	64	.....	—	—
	4·48	68	.....	4·50	108
	4·52	63	.....	4·54	108
	4·57	64	.....	4·58	106
Dose taken - - - - - -	4·59	—	.....	4·59	—
	5·4	61	.....	5·5	108
	5·10	62	.....	5·13	108
	5·19	66	.....	5·17	110
	5·25	60	.....	5·27	108
	5·31	62	.....	5·33	108
	5·40	61	.....	5·42	108
	5·47	62	.....	5·45	108

There was no drowsiness and no apparent action on the nervous system. Slight irritation of stomach. Sp. gr. of residue was ·980 ; it was acid in reaction and turbid.

VIII. Action on Pulse-Rate and Blood-Pressure of Residue left on distilling 4 oz. Cognac Brandy until 2 oz. had passed over.

Dose: The remaining 2 oz. was taken.

	Time.	Pulse-Rate.		Time.	Blood-Pressure
	4·38	57	.....	—	—
	4·45	60	.....	4·41	110
	4·56	60	.....	4·48	108
Dose taken - - - - - -	4·57	—	.....	4·55	108
	5·5	58	.....	5·7	112
	5·13	58	.....	5·11	112
	5·23	60	.....	5·21	108
	5·31	59	.....	5·34	110
	5·41	57	.....	5·42	110
	5·53	58	.....	5·51	112
	5·56	57	.....	5·58	112

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